ARAB BANK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better
working world

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arab Bank Group (the "Group") which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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Key Audit Matters

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

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

<table>
<tr><td colspan="2">1. Inadequate allowances (ECL) for credit facilities
Refer to note (12) to the consolidated financial statements</td></tr>
<tr><td>Key audit matter:

This is considered as a key audit matter as the group exercises significant judgement to determine when and how much to record as impairment.

Credit facilities form a major portion of the Group's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk.

As at 31 December 2018, the Group's gross credit facilities amounted to USD 25.8 billion and the related impairment provisions amounted to USD 1.57 billion. The impairment provision policy is presented in the accounting policies in (4) to the consolidated financial statements.</td>
<td>How the key audit matter was addressed in the audit:

Our audit procedures included the following:

• We gained an understanding of the Group's key credit processes comprising granting and booking and tested the operating effectiveness of key controls over these processes.

• We read the Group's impairment provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements.

• We assessed the Group's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.

• We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:

o Appropriateness of the group's staging.
o Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
o Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages.
o Appropriateness of the internal rating and the objectivity,</td></tr>
</table>

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	competence and independence of the experts involved in this exercise. o Soundness and mathematical integrity of the ECL Model. o For exposures moved between stages we have checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. o For exposures determined to be individually impaired we re-preformed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements. • For forward looking assumptions used by the Group in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information. • We assessed the financial statements disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (4), (5), (6) and (12) to the consolidated financial statements.
2. Valuation of Unquoted Investments & Derivatives Refer to notes (11) and (41) to the consolidated financial statements	
Key audit matter: The valuation of investments in private equities and the valuation of derivatives are complex areas that require the use of models and forecasting of future cash flows including other factors to determine the fair value of investments and derivatives. As at 31 December 2018, the unquoted equities, positive and negative fair value of derivatives amounted to USD 177 million, USD 64 million and USD 52 million, respectively.	**How the key audit matter was addressed in the audit:** Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities and derivatives. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data. Disclosures of unquoted investments and derivatives are detailed in notes (11) and (41) to the consolidated financial statements.

Other information included in the Group's 2018 annual report.

Other information consists of the information included in the Bank's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amman – Jordan
6 February 2019

ERNST & YOUNG
Amman - Jordan

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018	2017
ASSETS		USD '000	USD '000
Cash and balances with central banks	7	7,974,014	7,607,064
Balances with banks and financial institutions	8	3,197,643	3,992,234
Deposits with banks and financial institutions	9	323,443	150,419
Financial assets at fair value through profit or loss	10	439,829	470,654
Financial derivatives - positive fair value	41	63,963	35,420
Direct credit facilities at amortized cost	12	23,785,542	23,488,575
Financial assets at fair value through other comprehensive income	11	371,010	395,563
Other financial assets at amortized cost	13	8,507,847	7,760,023
Investments in associates	14	3,298,251	3,226,231
Fixed assets	15	455,719	459,141
Other assets	16	613,418	491,174
Deferred tax assets	17	131,946	87,223
Total Assets		49,162,625	48,163,721
LIABILITIES AND SHAREHOLDERS' EQUITY			
Banks' and financial institutions' deposits	18	4,266,590	3,927,288
Customers' deposits	19	31,430,913	31,080,459
Cash margin	20	2,913,471	2,700,289
Financial derivatives - negative fair value	41	51,523	42,154
Borrowed funds	21	281,479	182,090
Provision for income tax	22	321,490	272,205
Other provisions	23	210,303	326,040
Other liabilities	24	1,014,057	1,220,231
Deferred tax liabilities	25	8,210	3,693
Total Liabilities		40,498,036	39,754,449
Share capital	26	926,615	926,615
Share premium	26	1,225,747	1,225,747
Statutory reserve	27	919,507	841,359
Voluntary reserve	28	977,315	977,315
General reserve	29	1,141,824	1,141,824
General banking risks reserve	30	237,124	395,828
Reserves with associates		1,540,896	1,540,896
Foreign currency translation reserve	31	(264,651)	(350,550)
Investments revaluation reserve	32	(322,831)	(313,438)
Retained earnings	33	2,192,006	1,904,663
Total Equity Attributable to the Shareholders of the Bank		8,573,552	8,290,259
Non-controlling interests	33	91,037	119,013
Total Shareholders' Equity		8,664,589	8,409,272
Total Liabilities and Shareholders' Equity		49,162,625	48,163,721

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

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 USD '000	2017 USD '000
Profit for the year	820,544	532,963
Add: Other comprehensive income items - after tax		
Items that will be subsequently transferred to the consolidated statement of income		
Exchange differences arising from the translation of foreign operations	72,009	45,676
Items that will not be subsequently transferred to the consolidated statement of income		
Net change in fair value of financial assets at fair value through other comprehensive income	(12,332)	(43,585)
Change in investment revaluation reserve	(10,374)	(46,209)
(Loss) gain from sale of financial assets at fair value through other comprehensive income	(1,958)	2,624
Total other comprehensive income items - after tax	59,677	2,091
Total comprehensive income for the year	880,221	535,054
Attributable to:		
- Bank's shareholders	895,196	530,935
- Non-controlling interests	(14,975)	4,119
Total	880,221	535,054

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

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve	Reserves with associates	Foreign Currency Translation Reserve	Investments Revaluation Reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-Controlling Interests	Total Shareholders' Equity
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
2018-														
Balance at the beginning of the year		926,615	1,225,747	841,359	977,315	1,141,824	395,828	1,540,896	(350,550)	(313,438)	1,904,663	8,290,259	119,013	8,409,272
Effect of IFRS (9) adoption		-	-	-	-	-	-	-	-	-	(164,205)	(164,205)	(8,241)	(172,446)
Amended balance at the beginning of the year		926,615	1,225,747	841,359	977,315	1,141,824	395,828	1,540,896	(350,550)	(313,438)	1,740,458	8,126,054	110,772	8,236,826
Profit for the year		-	-	-	-	-	-	-	-	-	820,649	820,649	(105)	820,544
Other comprehensive income for the year		-	-	-	-	-	-	-	85,899	(11,352)	-	74,547	(14,870)	59,677
Total comprehensive income for the year		-	-	-	-	-	-	-	85,899	(11,352)	820,649	895,196	(14,975)	880,221
Transferred to statutory reserve		-	-	78,148	-	-	-	-	-	-	(78,148)	-	-	-
Transferred from general banking risk reserve*		-	-	-	-	-	(158,704)	-	-	-	158,704	-	-	-
Investments revaluation reserve transferred to retained earnings		-	-	-	-	-	-	-	-	1,959	(1,959)	-	-	-
Investments revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Dividends paid	33	-	-	-	-	-	-	-	-	-	(368,911)	(368,911)	(4,759)	(373,670)
Changes in associates equity**		-	-	-	-	-	-	-	-	-	(82,038)	(82,038)	-	(82,038)
Adjustments during the year		-	-	-	-	-	-	-	-	-	3,251	3,251	-	3,251
Balance at the end of the year		926,615	1,225,747	919,507	977,315	1,141,824	237,124	1,540,896	(264,651)	(322,831)	2,192,006	8,573,552	91,037	8,664,589
2017-														
Balance at the beginning of the year		926,615	1,225,747	798,443	977,315	1,141,824	363,458	1,540,896	(402,682)	(267,672)	1,738,225	8,042,169	122,367	8,164,536
Profit for the year		-	-	-	-	-	-	-	-	-	521,961	521,961	11,002	532,963
Other comprehensive income for the year		-	-	-	-	-	-	-	52,132	(43,158)	-	8,974	(6,883)	2,091
Total comprehensive income for the year		-	-	-	-	-	-	-	52,132	(43,158)	521,961	530,935	4,119	535,054
Transferred to statutory reserve		-	-	42,916	-	-	-	-	-	-	(42,916)	-	-	-
Transferred to general banking risk reserve		-	-	-	-	-	32,370	-	-	-	(32,370)	-	-	-
Investment revaluation reserve transferred to retained earnings		-	-	-	-	-	-	-	-	(2,608)	2,608	-	-	-
Investment revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-	-	-			-	(16)	(16)
Dividends paid	33	-	-	-	-	-	-	-	-	-	(278,182)	(278,182)	(5,105)	(283,287)
Adjustments during the year		-	-	-	-	-	-	-	-	-	(4,663)	(4,663)	(2,352)	(7,015)
Balance at the end of the year		926,615	1,225,747	841,359	977,315	1,141,824	395,828	1,540,896	(350,550)	(313,438)	1,904,663	8,290,259	119,013	8,409,272

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

- The Bank cannot use a restricted amount of USD 322.8 million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of 31 December 2018.

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

** Changes in associates equity represents the Group's share from the changes in the associates' equities which resulted mainly from the adoption of IFRS 9.

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

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

1. GENERAL

Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman – Hashemite Kingdom of Jordan and the Bank operates worldwide through its 78 branches in Jordan and 126 branches abroad. Also, the Bank operates through its subsidiaries and Arab Bank (Switzerland).

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

The accompanying consolidated financial statements were approved by the Board of Directors in its meeting number (1) on 31 January 2019 and are subject to the approval of the General Assembly and the Central Bank of Jordan.

2. (A) BASIS OF PREPARATION

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

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

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

2. (B) BASIS OF CONSOLIDATION

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

Company Name	Percentage of ownership (%)		Date of Acquisition	Principal Activity	Place of Incorporation	Paid-up Capital
	2018	2017				
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 570m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 94.3m
Islamic International Arab Bank plc	100.00	100.00	1997	Banking	Jordan	JD 100m
Arab National Leasing Company L.L.C.	100.00	100.00	1996	Financial Leasing	Jordan	JD 50m
Al-Arabi Investment Group L.L.C.	100.00	100.00	1996	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	100.00	2008	Banking	Sudan	SDG 117.5m
Al Arabi Investment Group - Palestine	100.00	100.00	2009	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	1982	Banking	Tunisia	TND 100m
Arab Bank Syria	51.29	51.29	2005	Banking	Syria	SYP 5.05b
Al Nisr Al Arabi Insurance Company PLC	50.00	50.00	2006	Insurance	Jordan	JD 10m

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

IFRS 9 Financial Instruments

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

Changes to classification and measurement

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

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

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

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

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

Changes to the impairment calculation

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

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

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

Changes in financial assets balances are as follows:

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

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

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

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

Amendments to IAS 40 Transfers of Investment Property

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Recognition of Interest Income

The effective interest rate method

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

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

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

Interest and similar income and expense

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

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

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

Fee and commission income

Fee income can be divided into the following two categories:

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

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

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

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

Financial Instruments – Initial Recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

- Amortized cost
- FVOCI
- FVTPL

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

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

Financial Assets and Liabilities

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

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

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

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

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPI test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

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

Debt instruments at FVOCI

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

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

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

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

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

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

Or

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

Or

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

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

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL provision.

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

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

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

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification

A. Financial assets

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

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

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

Or

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

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

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

A transfer only qualifies for derecognition if either:

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

Or

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

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

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

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

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

B. Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

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

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

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

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

The Group's internal credit rating system:

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

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

The calculation of ECLs

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

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

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

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

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

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

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

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

The mechanism of the ECL method are summarized below:

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

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

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

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

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

Debt instruments measured at fair value through OCI

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

Credit cards and other revolving facilities

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

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

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

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

Forward looking information

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

- GDP growth
- Unemployment rates
- Central Bank base rates
- Oil price indices
- Financial market performance indices

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

Collateral valuation

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

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

Collateral repossessed

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

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

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

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

Leasing contracts

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

1. The Group as a lessor

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

2. The Group as a lessee:

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

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

Foreign currencies

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

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

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

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

Fixed assets

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

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

Land and assets under construction are not depreciated.

Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

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

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

Impairment of non-financial assets -

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

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

Intangible Assets

Goodwill

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

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

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

Other Intangible Assets

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

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

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

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

Repurchase and Resale Agreements

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

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

Capital

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

Investments in Associates

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

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

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

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

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

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

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

Income Taxes

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

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

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

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

Fair value

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

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

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

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

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

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

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

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

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

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

Financial derivatives

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

Financial derivatives held for hedge purposes

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

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

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

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

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

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

Financial derivatives for trading

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

Foreclosed assets

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

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

Provisions

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

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

Segments Information

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

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

Assets under Management

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

Offsetting

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

Cash and cash equivalents

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

- Management frequently reviews financial assets stated at amortized cost and compares to fair value to estimate any impairment in their value. The impairment amount is taken to the consolidated statement of income for the year.

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

- Provisions for impairment - ECL

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

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

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

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

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

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

- **Assessment of Significant Increase in Credit Risk (SICR)**

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

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

1. We have established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.
3. Instruments which are 30 days past due have experienced a significant increase in credit risk as per the standard. Central Bank of Jordan in its instructions requested to apply 60 days past due for significant increase in credit risk which is subject to decrease to 30 days in 3 years. Arab Bank Group applies 45 days past due in this regard.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as mentioned in the "Definition of default" below.

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

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

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

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

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

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

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

- **Definition of default**

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

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

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

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

- **Expected Life**

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

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

6. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

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

		2018				2017
	Note	Stage 1	Stage 2	Stage 3	Total	
		USD '000	USD '000	USD '000	USD '000	USD '000
Balances with Central Banks	7	(669)	-	-	(669)	-
Balances with banks and financial institutions	8	(241)	-	-	(241)	-
Deposits with banks and financial institutions	9	781	-	-	781	-
Direct credit facilities at amortized cost	12	6,571	19,174	206,123	231,868	250,377
Financial assets at amortized cost	13	315	(2,627)	-	(2,312)	-
Indirect facilities	24	7,016	13,244	1,644	21,904	-
Total		13,773	29,791	207,767	251,331	250,377

7. CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as follows:

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

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

- Balances and certificates of deposits maturing after three months amounted to USD 38.6 million as of 31 December 2018 (USD 25 million as of 31 December 2017).

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

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

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

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

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

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

8. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Local Banks and Financial Institutions

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

Abroad Banks and Financial Institutions

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

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

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

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

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

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

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

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

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

9. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Local banks and financial institutions

	2018	2017
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	6,090	9,415
Time deposits maturing after one year	167,726	21,150
Total	173,816	30,565

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

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

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

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

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

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

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

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

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

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

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The details of this item are as follows:

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

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

2018	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	194,134	194,134
Unquoted shares	-	176,876	176,876
Total	-	371,010	371,010

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

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

12. DIRECT CREDIT FACILITIES AT AMORTIZED COST

The details of this item are as follows:

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

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

- Rescheduled loans during the year ended 31 December 2018 amounted to USD 428.3 million.

- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2018 amounted to USD 3.3 million.

- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2018 amounted to USD 31.9 million, or 0.12% of total direct credit facilities.

- Non-performing direct credit facilities as of 31 December 2018 amounted to USD 1,742.1 million, or 6.7% of total direct credit facilities.

- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2018 amounted to USD 1,302.9 million, or 5.1% of direct credit facilities, after deducting interest and commission in suspense.

	2017					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	82,995	156,324	504,971	82,872	2,559	829,721
Overdrafts *	88,990	1,097,629	3,291,990	5,804	376,104	4,860,517
Loans and advances *	3,090,804	1,738,544	11,162,138	47,755	883,293	16,922,534
Real-estate loans	2,155,079	143,555	79,825	-	-	2,378,459
Credit cards	146,980	-	-	-	-	146,980
Total	5,564,848	3,136,052	15,038,924	136,431	1,261,956	25,138,211
Less: Interest and commission in suspense	64,406	94,150	213,160	6,545	-	378,261
Provision for impairment - direct credit facilities at amortized cost	141,121	137,884	989,535	411	2,424	1,271,375
Total	205,527	232,034	1,202,695	6,956	2,424	1,649,636
Net direct credit facilities at amortized cost	5,359,321	2,904,018	13,836,229	129,475	1,259,532	23,488,575

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

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

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

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

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

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

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of 31 December 2018 and 31 December 2017.

- Impairment is assessed based on individual customer accounts.

* Non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 5 million as of 31 December 2018 (USD 399.3 million as of 31 December 2017) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

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

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

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

Large Corporate Lending

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

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

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

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

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

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

Small and Medium Enterprise (SMEs) Lending

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

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

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

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

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

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

Consumer lending

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

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

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

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

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

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

Banks and financial institutions lending

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

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

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

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

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

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

Government and Public-Sector Lending

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

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

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

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

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

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

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

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

13. OTHER FINANCIAL ASSETS AT AMORTIZED COST

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

Analysis of bonds based on interest nature:

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

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:

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

Financial assets unquoted in the market:

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

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

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade performing	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	8,233,424	-	-	8,233,424	7,610,727
Acceptable risk / performing	126,430	183,733	-	310,163	153,086
Non- performing					
Substandard	-	-	-	-	18,976
Doubtful	-	-	-	-	486
Problematic	-	-	4,776	4,776	4,776
Total	8,359,854	183,733	4,776	8,548,363	7,788,051

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

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

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

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

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

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

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

14. INVESTMENTS IN ASSOCIATES

The details of this item are as follows:

	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
	%	USD '000					
2018							
Oman Arab Bank S.A.O.	49.00	360,192	Oman	Unquoted	2018	Banking	1984
Arab National Bank	40.00	2,870,438	Saudi Arabia	3,402,667	2018	Banking	1979
Arabia Insurance Company	42.02	37,623	Lebanon	Unquoted	2017	Insurance	1972
Commercial buildings	35.39	8,867	Lebanon	Unquoted	2017	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	10,475	Oman	Unquoted	2018	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	10,656	Various			Various	
Total		3,298,251					
2017							
Turkland Bank A.Ș.**	50.00	137,732	Turkey	Unquoted	2017	Banking	2006
Oman Arab Bank S.A.O.	49.00	347,708	Oman	Unquoted	2017	Banking	1984
Arab National Bank	40.00	2,675,627	Saudi Arabia	2,634,667	2017	Banking	1979
Arabia Insurance Company	40.34	32,035	Lebanon	Unquoted	2016	Insurance	1972
Commercial buildings	35.39	8,837	Lebanon	Unquoted	2016	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	11,547	Oman	Unquoted	2017	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	12,745	Various			Various	
Total		3,226,231					

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

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

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

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

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

During 2018, the Group classified its 50% investment in Turkland Bank A.S.as an investment held for sale in accordance with IFRS 5. The details of the loss on the investment held for sale appearing in the consolidated income statement are as follows:

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

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

	2018
	USD '000
Assets	362,278
Liabilities	(304,691)
Net assets	57,587
Fair value less cost to sell	(44,000)
Impairment loss	13,587

As a result of the reclassification, the foreign currency translation reserve relating to Turkland Bank A.S. of USD 211 million recorded in other comprehensive income was recognized in the consolidated statement of income.

The Group's share from the profit and loss of the associates are as follows:

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

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

	2018				2017			
	Arab National Bank	Oman Arab Bank S.A.O.	Others	Total	Arab National Bank	Oman Arab Bank S.A.O.	Others	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total assets	19,017,654	2,971,587	243,915	22,233,156	18,331,733	2,717,195	876,737	21,925,665
Total Liabilities	16,147,216	2,609,699	177,990	18,934,905	15,656,106	2,371,665	671,663	18,699,434
Total revenue	698,393	111,709	20,162	830,264	682,880	98,939	33,527	815,346
Total expenses	345,121	73,187	41,053	459,361	360,191	63,034	41,843	465,068
Net profit / (loss)	353,272	38,522	(20,891)	370,903	322,689	35,905	(8,316)	350,278

15. FIXED ASSETS

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Other	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Historical Cost:							
Balance as of 1 January 2017	73,894	391,882	210,664	146,833	14,309	80,481	918,063
Additions	9	8,380	12,664	17,003	1,875	11,237	51,168
Disposals	(442)	(3,593)	(4,396)	(13,207)	(793)	(9,027)	(31,458)
Adjustments during the year	(1)	-	-	8	-	(18)	(11)
Translation Adjustments	(1,270)	6,080	211	1,310	(242)	(450)	5,639
Balance as of 31 December 2017	72,190	402,749	219,143	151,947	15,149	82,223	943,401
Additions	39	23,906	8,004	19,619	1,888	8,662	62,118
Disposals	-	(5,204)	(7,520)	(4,471)	(1,422)	(4,370)	(22,987)
Adjustments during the year	355	(1,863)	(6,294)	60	-	7,742	-
Translation Adjustments	(2,616)	(4,693)	(3,012)	(4,382)	(1,147)	(4,759)	(20,609)
Balance at 31 December 2018	69,968	414,895	210,321	162,773	14,468	89,498	961,923
Accumulated Depreciation:							
Balance as of 1 January 2017	-	127,190	158,059	109,330	11,096	48,755	454,430
Depreciation charge for the year	-	9,849	14,260	16,237	1,282	7,334	48,962
Disposals	-	(744)	(4,304)	(13,158)	(769)	(2,789)	(21,764)
Adjustments during the year	-	5	(6)	7	(28)	(16)	(38)
Translation adjustments	-	1,273	410	1,296	(160)	(149)	2,670
Balance as of 31 December 2017	-	137,573	168,419	113,712	11,421	53,135	484,260
Depreciation charge for the year	-	9,698	11,854	17,164	1,275	8,162	48,153
Disposals	-	(466)	(7,364)	(4,401)	(1,415)	(2,179)	(15,825)
Adjustments during the year	-	-	(3,550)	-	-	3,550	-
Translation adjustments	-	(1,287)	(1,754)	(3,456)	(640)	(3,247)	(10,384)
Balance at 31 December 2018	-	145,518	167,605	123,019	10,641	59,421	506,204
Net Book Value as of 31 December 2018	69,968	269,377	42,716	39,754	3,827	30,077	455,719
Net Book Value as of 31 December 2017	72,190	265,176	50,724	38,235	3,728	29,088	459,141

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

16. OTHER ASSETS

The details of this item are as follows:

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

* Central Bank of Jordan instructions require a disposal of these assets during a maximum period of two years from the date of foreclosure.

The details of movement on foreclosed assets are as follows:

	2018			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	23,697	35,320	355	59,372
Additions	27,941	4,546	-	32,487
Disposals	(1,449)	(1,402)	(355)	(3,206)
Provision for impairment and impairment losses	188	(398)	-	(210)
Translation adjustments	-	(99)	-	(99)
Balance at the end of the year	50,377	37,967	-	88,344

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

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

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

17. DEFERRED TAX ASSETS

The details of this item are as follows:

Items attributable to deferred tax assets are as follows:

	2018					
	Balance at the beginning of the year (restated)	Amounts added	Amounts released	Adjustments during the year and translation adjustments	Balance at the end of the year	Deferred tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Provision for impairment – ECL on direct credit facilities at amortized cost	232,999	115,425	(32,466)	(782)	315,176	76,525
End-of-Service indemnity	65,472	9,925	(7,879)	883	68,401	19,817
Interest in suspense	18,537	14,591	(2,433)	-	30,695	6,571
Other	107,821	26,355	(26,973)	(5,517)	101,686	29,033
Total	424,829	166,296	(69,751)	(5,416)	515,958	131,946

	2017					
	Balance at the beginning of the year	Amounts added	Amounts released	Adjustments during the year and translation adjustments	Balance at the end of the year	Deferred tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Provision for impairment - direct credit facilities at amortized cost	116,286	62,345	(34,572)	1,905	145,964	33,176
End-of-Service indemnity	57,191	15,328	(7,047)	-	65,472	19,154
Interest in suspense	17,878	12,830	(12,171)	-	18,537	4,039
Other	90,380	23,227	(8,317)	2,531	107,821	30,854
Total	281,735	113,730	(62,107)	4,436	337,794	87,223

Deferred tax results from temporary timing differences of the provisions not deducted for tax purposes in the current year or previous years. This is calculated according to the regulations of the countries where the Group operates. The Group will benefit from these amounts in the near future.

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

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

18. BANKS' AND FINANCIAL INSTITUTIONS' DEPOSITS

The details of this item are as follows:

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

19. CUSTOMERS' DEPOSITS

The details of this item are as follows:

	2018				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	7,494,375	2,130,174	1,961,191	308,044	11,893,784
Savings	2,984,797	124,049	20,775	3,449	3,133,070
Time and notice	8,475,548	1,106,333	3,883,541	2,525,223	15,990,645
Certificates of deposit	308,169	17,117	40,913	47,215	413,414
Total	19,262,889	3,377,673	5,906,420	2,883,931	31,430,913

- Government of Jordan and Jordanian public sector deposits amounted to USD 769.3 million, or 2.5% of total customer deposits as of 31 December 2018 (USD 395 million, or 1.3% of total customer deposits as of 31 December 2017).

- Non-interest bearing deposits amounted to USD 10,677.8 million, or 34% of total customer deposits as of 31 December 2018 (USD 11,076.3 million or 35.6% of total customer deposits as of 31 December 2017).

- Blocked deposits amounted to USD 162.8 million, or 0.5% of total customer deposits as of 31 December 2018 (USD 146.8 million or 0.5% of total customer deposit as of 31 December 2017).

- Dormant deposits amounted to USD 371.3 million, or 1.2% of total customer deposits as of 31 December 2018 (USD 395.5 million, or 1.3% of total customer deposits as of 31 December 2017).

	2017				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	7,791,158	2,069,817	2,158,229	345,585	12,364,789
Savings	3,069,379	162,800	17,935	132	3,250,246
Time and notice	8,196,262	937,523	3,849,366	2,101,530	15,084,681
Certificates of deposit	207,117	13,161	66,419	94,046	380,743
Total	19,263,916	3,183,301	6,091,949	2,541,293	31,080,459

20. CASH MARGIN

The details of this item are as follows:

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

21. BORROWED FUNDS

The details of this item are as follows:

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

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

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

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.6 million, for the duration of 15 years of which 5 years are grace period with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan amounted to USD 5.1 million as of 31 December 2018 (USD 5.6 million as of 31 December 2017).

* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 3.9 million, for the duration of 10 years of which 3 years are grace period and with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2018 amounted to USD 3.1 million (USD 3.7 Million as of 31 December 2017).

* During 2015 and 2016, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 2%, The advances are repaid in accordance with customers monthly installments which starts on January 2019 and ends on September 2028, these advances amounted USD 62.6 million as of 31 December 2018 (USD 49.5 million as of 31 December 2017)

* During 2016, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.1 million, for the duration of 15 years of which 5 years are grace period with a floating interest rate of (1.85%+LIBOR 6 months). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2018 amounted to USD 5.1 million (USD 5.1 million as of 31 December 2017).

* During 2017, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 10.9 million, for the duration of 22 years of which 5 years are grace period with a fixed interest rate of 3% (CBJ has the right to amend the interest rate every two years up to 3.5%). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in May and November of each year. The Balance of the loan as of 31 December 2018 amounted to USD 2.4 million (USD 2.4 million as of 31 December 2017.

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

** During 2018, Arab Bank (Jordan Branches) signed a loan agreement with European Investment Bank amounting to USD 100 million, for the duration of 7 years with a floating interest rate of (1.92%+LIBOR 3 months) the interest is repaid in 4 installment during the year. The loan is repaid semi-annually, with installments in March and September of each year. The balance of the loan as of 31 December 2018 amounted to USD 100 million.

* Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 81.5 million as of 31 December 2018 (USD 92.2 million as of 31 December 2017) whereas the lowest interest rate is (0.7%) and the highest is (9.3%) and the last maturity date is on 19 May 2032, as per the following details :

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

22. PROVISION FOR INCOME TAX

The details of this item are as follows:

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

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

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

- The Banking income tax rate in Jordan is 35%. The Jordanian income tax law No. (34) for the year 2019 has been amended and the tax rate will become 35% income tax + 3% national contribution tax, i.e. a total of 38%. While the income tax rate in the countries where the Group has investments and branches ranges from zero to 37% as of 31 December 2018 and 2017. Arab Bank Group effective tax rate was 26.7% as of 31 December 2018 and 33.1% as of 31 December 2017.

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

23. OTHER PROVISIONS

The details of this item are as follows:

	2018					
	Balance at the beginning of the year	Additions during the year	Utilized or transferred during the year	Returned to income	Adjustments during the year and translation adjustments	Balance at the end of the year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	117,568	14,131	(14,754)	-	(158)	116,787
Legal cases	17,467	2,849	(2,424)	(11,319)	(100)	6,473
Other	191,005	2,480	(91,894)	(13,378)	(1,170)	87,043
Total	326,040	19,460	(109,072)	(24,697)	(1,428)	210,303

	2017					
	Balance at the beginning of the year	Additions during the year	Utilized or transferred during the year	Returned to income	Adjustments during the year and translation adjustments	Balance at the end of the year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	113,418	15,823	(11,331)	(440)	98	117,568
Legal cases	18,363	1,651	(31)	(2,920)	404	17,467
Other	128,014	3,921	(3,037)	(15,014)	77,121	191,005

Total	259,795	21,395	(14,399)	(18,374)	77,623	326,040

24. OTHER LIABILITIES

The details of this item are as follows:

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

Indirect Credit Facilities:

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

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

The movement on total indirect credit facilities is as follows:

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

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

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

25. DEFERRED TAX LIABILITIES

Items attributable to deferred tax liabilities are as follows:

	2018					
	Balance at the beginning of the year	Amounts added	Amounts released	Adjustments during the year and translation adjustments	Balance at the end of the year	Deferred tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Other	22,532	15,346	(2,800)	(1,480)	33,598	8,210

	2017					
	Balance at the beginning of the year	Amounts added	Amounts released	Adjustments during the year and translation adjustments	Balance at the end of the year	Deferred tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Investments revaluation reserve	6,255	-	(6,255)	-	-	-
Other	8,202	14,554	(10)	(214)	22,532	3,693
Total	14,457	14,554	(6,265)	(214)	22,532	3,693

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

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

26. SHARE CAPITAL & PREMIUM

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

B. Share premium amounted to USD 1,225.7 million as of 31 December 2018 and 2017.

27. STATUTORY RESERVE

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

28. VOLUNTARY RESERVE

The voluntary reserve amounted to USD 977.3 million as of 31 December 2018 and 2017. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

29. GENERAL RESERVE

The general reserve amounted to USD 1,141.8 million as of 31 December 2018 and 2017. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

30. GENERAL BANKING RISKS RESERVE

The general banking risk reserve amounted to USD 237.1 million as of 31 December 2018 (USD 395.8 million as of 31 December 2017).

31. FOREIGN CURRENCY TRANSLATION RESERVE

The details of this item are as follows:

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

32. INVESTMENTS REVALUATION RESERVE

The details of this item are as follows:

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

33. RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

The movement of retained earnings are as follows:

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

* Arab Bank PLC Board of Directors recommended a 45% of USD 1.41 of par value as cash dividend, equivalent to USD 406.6 million, for the year 2018. This proposal is subject to the approval of the General Assembly of shareholders. (The General Assembly of the Arab Bank plc in its meeting held on 29 March 2018 approved the recommendation of the Bank's Board of Directors to distribute 40% of par value as cash dividends for the year 2017 equivalent to USD 361.4 million). Dividends paid to non-controlling interests amounted to USD 4.8 million.

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

The details of non-controlling interests are as follows:

	2018			2017		
	Non-controlling interests %	Share of non-controlling interests of net assets USD '000	Share of non-controlling interests of net profit / (loss) USD '000	Non-controlling interests %	Share of non-controlling interests of net assets USD '000	Share of non-controlling interests of net profit/ (loss) USD '000
Arab Tunisian Bank	35.76	62,091	1,342	35,76	87,147	9,744
Arab Bank Syria	48.71	14,096	(3,317)	48,71	17,414	(182)
Al Nisr Al Arabi Insurance Company plc	50.00	14,850	1,870	50,00	14,452	1,440
Total		91,037	(105)		119,013	11,002

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

	2018			2017		
	Arab Tunisian Bank	Bank Arab Syria	Al Al Nisr Arabi Insurance Company plc	Arab Tunisian Bank	Bank Arab Syria	Al Al Nisr Arabi Insurance Company plc
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total assets	2,153,015	151,959	132,101	2,630,969	154,308	112,901
Total Liabilities	1,979,382	122,933	102,401	2,387,268	118,453	83,997
Net assets	173,633	29,026	29,700	243,701	35,855	28,904
Total income	79,669	2,355	12,513	96,579	3,409	11,046
Total expenses	75,917	9,184	8,773	69,330	3,783	8,167
Net profit / (loss)	3,752	(6,829)	3,740	27,249	(374)	2,879

34. INTEREST INCOME

The details of this item are as follows:

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

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

	2018					
		Corporates				
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4,199	15,183	25,548	3,833	89	48,852
Overdrafts	6,813	92,880	270,776	115	24,869	395,453
Loans and advances	248,950	107,180	581,317	1,256	55,065	993,768
Real estate loans	140,059	8,830	5,405	-	-	154,294
Credit cards	16,577	-	-	-	-	16,577
Total	416,598	224,073	883,046	5,204	80,023	1,608,944

	2017					
		Corporates				
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4,305	13,714	26,593	3,672	59	48,343
Overdrafts	7,385	81,136	242,934	411	19,901	351,767
Loans and advances	228,966	94,746	516,762	3,055	49,118	892,647
Real estate loans	130,866	7,255	5,047	-	-	143,168
Credit cards	14,679	-	-	-	-	14,679
Total	386,201	196,851	791,336	7,138	69,078	1,450,604

35. INTEREST EXPENSE

The details of this item are as follows:

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

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

	2018				
		Corporates			
	Consumer Banking	Small and Medium	Large	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	18,420	2,911	26,380	4,367	52,078
Savings	36,753	3,147	150	17	40,067
Time and notice	329,222	37,027	147,492	88,984	602,725
Certificates of deposit	38,071	5,223	4,860	1,768	49,922
Total	422,466	48,308	178,882	95,136	744,792

	2017				
		Corporates			
	Consumer Banking	Small and Medium	Large	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	10,846	1,876	19,340	7,571	39,633
Savings	33,547	3,160	183	-	36,890
Time and notice	285,024	30,629	157,719	75,341	548,713
Certificates of deposit	23,233	1,067	4,204	5,330	33,834
Total	352,650	36,732	181,446	88,242	659,070

36. NET COMMISSION INCOME

The details of this item are as follows:

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

37. GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

	2018			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	3,093	569	-	3,662
Companies shares	-	(100)	106	6
Mutual funds	-	(515)	-	(515)
Total	3 093	(46)	106	3,153

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

38. OTHER REVENUE

The details of this item are as follows:

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

39. EMPLOYEES' EXPENSES

The details of this item are as follows:

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

40. OTHER EXPENSES

The details of this item are as follows:

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

41. FINANCIAL DERIVATIVES

The details of financial derivatives are as follows:

(Held At FVTPL)	2018						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Year	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	7,340	6,972	864,855	209,419	616,519	38,917	-
Interest rate swaps	7,914	5,637	1,269,610	326,839	145,850	430,735	366,186
Foreign currency forward contracts	23,722	20,058	9,254,913	7,908,129	1,181,505	165,279	-
Derivatives held for trading	38,976	32,667	11,389,378	8,444,387	1,943,874	634,931	366,186
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	24,987	18,722	1,981,298	20,325	441,711	647,016	872,246
Foreign currency forward contracts	-	-	103,060	103,060	-	-	-
Derivatives held for fair value hedge	24,987	18,722	2,084,358	123,385	441,711	647,016	872,246
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	134	3,818	-	-	3,818	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	-	134	3,818	-	-	3,818	-
Total	63,963	51,523	13,477,554	8,567,772	2,385,585	1,285,765	1,238,432

(Held At FVTPL)	2017						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Year	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	381	696	123,032	66,947	49,115	6,970	-
Interest rate swaps	7,359	5,409	1,154,807	106,281	48,768	315,290	684,468
Foreign currency forward contracts	13,831	25,257	7,625,249	6,553,516	1,061,664	10,069	-
Derivatives held for trading	21,571	31,362	8,903,088	6,726,744	1,159,547	332,329	684,468
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	13,849	10,639	1,432,317	145,985	265,840	198,445	822,047
Foreign currency forward contracts	-	-	264,159	264,159	-	-	-
Derivatives held for fair value hedge	13,849	10,639	1,696,476	410,144	265,840	198,445	822,047
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	153	11,864	7,806	-	4,058	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	-	153	11,864	7,806	-	4,058	-
Total	35,420	42,154	10,611,428	7,144,694	1,425,387	534,832	1,506,515

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

42. CONCENTRATION OF REVENUES, ASSETS AND CAPITAL EXPENDITURES ACCORDING TO THE GEOGRAPHICAL DISTRIBUTION

The Group undertakes its banking activities through its branches in Jordan and abroad. The following are the details of the distribution of revenues, assets and capital expenditures inside and outside Jordan:

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

43. BUSINESS SEGMENTS

The Group has an integrated group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Corporate and Institutional Banking

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered a source of financing for the Group, in general, and for the strategic business units, in particular. It steers the financing of the Group, and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's business unit, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposit.
- Interest rate swaps.
- Other various derivatives.

3. Consumer Banking

The Consumer Banking division is focused on offering customers an extensive range of feature-rich value proposition through its vast branch network and integrated direct banking channels, both locally and regionally. Consumer Banking provides a comprehensive range of programs that are specifically designed to cater to the needs of a diverse customer base. These range from Jeel Al Arabi, the special program for children, to Elite, the exclusive service offered to our high net worth clients. The bank believes in building meaningful customer relationships, placing client needs at the heart of our services and constantly reassessing those services in line with evolving customer needs and expectations.

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

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

* Information about the Group's Business Segments

	2018					
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	1,041,550	585,350	(133,007)	232,064	407,092	2,133,049
Net inter-segment interest income	(256,670)	(229,794)	333,146	153,318	-	-
ECL expense on financial assets	(240,058)	1,365	(1,826)	(10,812)	-	(251,331)
Other provisions	2,710	4,232	3,933	(5,638)	-	5,237
Direct administrative expenses	(124,019)	(18,266)	(30,921)	(162,901)	(7,730)	(343,837)
Result of operations of segments	423,513	342,887	171,325	206,031	399,362	1,543,118
Indirect expenses on segments	(232,297)	(74,173)	(58,489)	(156,529)	(2,658)	(524,146)
Recovery of legal provision	-	-	-	-	325,000	325,000
Impairment of investment held for sale	-	-	-	-	(225,000)	(225,000)
Profit for the year before income tax	191,216	268,714	112,836	49,502	496,704	1,118,972
Income tax expense	(56,718)	(65,650)	(31,407)	(18,409)	(126,244)	(298,428)
Profit for the year	134,498	203,064	81,429	31,093	370,460	820,544
Depreciation and amortization	17,863	4,615	2,874	31,911	-	57,263
Other Information						
Segment assets	18,393,458	18,538,865	3,282,334	4,383,312	1,266,405	45,864,374
Inter-segment assets	-	-	11,200,439	2,798,783	5,071,019	-
Investments in associates	-	-	-	-	3,298,251	3,298,251
Total Assets	18,393,458	18,538,865	14,482,773	7,182,095	9,635,675	49,162,625
Segment liabilities	15,379,936	2,482,146	14,482,773	7,182,095	971,086	40,498,036
Shareholders' equity	-	-	-	-	8,664,589	8,664,589
Inter-segment liabilities	3,013,522	16,056,719	-	-	-	-
Total Liabilities and Shareholders' Equity	18,393,458	18,538,865	14,482,773	7,182,095	9,635,675	49,162,625

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

44. BANKING RISK MANAGEMENT

Arab Bank Group addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework. This framework is built in line with leading practices, and is supported by a risk governance structure consisting of risk-related Board Committees, Executive Management Committees, and three independent levels of control.

As part of the risk governance structure of the Bank, and as the second level of control, Group Risk Management is responsible for ensuring that the Bank has a robust system for the identification and management of risk. Its mandate is to:

- Establish risk management frameworks, policies and procedures for all types of risks and monitor their implementation
- Develop appropriate risk measurement tools and models
- Assess risk positions against established limits
- Monitor and report to Senior Management and the Board on a timely basis
- Advise and promote risk awareness based on leading practices

a. Credit Risk Management

Arab Bank maintains a low risk strategy towards the activities it takes on. This combined with its dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and frameworks, solid structure and infrastructure, risk monitoring and control enable the Bank to deal with the emerging risks and challenges with a high level of confidence and determination. Portfolio management decisions are based on the Bank's business strategy and risk appetite as reflected in the tolerance limits. Diversification is the cornerstone for mitigating portfolio risks which is achieved through industry, geographical and customer tolerance limits.

b. Geographic Concentration Risk

The Bank reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (45- C) shows the details of the geographical distribution of assets.

c. Liquidity Risk

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Arab Bank has built a robust infrastructure of policies, processes and people, in order to ensure that all obligations are met in a timely manner, under all circumstances and without undue cost. The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities which may expose the Bank to roll risk.

Note (48) shows the maturities of the assets and liabilities of the Bank.

d. Market Risk

Market risk is defined as the potential for loss from changes in the value of the Group's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the Group to market risk are: Money Markets, Foreign Exchange and Capital Markets, across the Trading and Banking books.

Note (46) shows the details of market risk sensitivity analysis.

1. Interest Rate Risk

Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the High ALCO.

Note (47) shows the details of the interest rate risk sensitivity of the Group.

2. Capital Market Exposures

Investments in capital markets instruments are subject to market risk stemming from changes in their prices. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk. The equities investment portfolio represents a very small percent of the Bank's overall investments.

3. Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

Note (49) shows the net positions of foreign currencies.

e. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is managed through a comprehensive framework, as part of the overall strengthening and continuous improvement of the controls within the Group.

45. CREDIT RISK

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

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

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

	2018	2017
Total of indirect facilities	18,020,298	18,892,135
Grand total for credit exposure	62,159,548	62,123,735

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

A. Credit exposure categorized by economic sector:

	2018												
		Corporates									Banks and Financial Institutions	Government and Public Sector	Total
	Consumer Banking	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares	General Services			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with Central Banks	-	-	-	-	-	-	-	-	-	-	-	7,521,377	7,521,377
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	3,521,086	-	3,521,086
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	29,624	-	-	289,808	96,878	416,310
Direct credit facilities at amortized cost	5,431,213	4,796,276	2,047,525	1,860,580	4,244,561	329,476	645,659	361,788	11,985	2,897,663	108,404	1,050,412	23,785,542
Other financial assets at amortized cost	-	89,892	-	-	19,962	-	-	-	-	140,289	1,157,105	7,100,599	8,507,847
Financial derivatives - positive fair value	-	-	-	-	420	-	-	1,501	-	1,310	54,961	5,771	63,963
Other assets	15,943	27,437	11,192	7,546	35,149	1,373	2,922	3,199	-	54,216	18,927	145,221	323,125
Total	5,447,156	4,913,605	2,058,717	1,868,126	4,300,092	330,849	648,581	396,112	11,985	3,093,478	5,150,291	15,920,258	44,139,250
Total as of 31 December 2017	5,375,016	4,649,487	2,350,142	1,837,011	4,132,087	278,698	522,803	603,723	14,663	2,768,790	5,941,323	14,757,857	43,231,600

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

	2018					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Consumer Banking	15,943	5,346,584	-	59,477	25,152	5,447,156
Industry and Mining	4,129,729	-	783,876	-	-	4,913,605
Constructions	1,799,260	-	254,698	-	4,759	2,058,717
Real Estate	1,595,708	-	259,573	-	12,845	1,868,126
Trade	3,943,054	-	349,827	-	7,211	4,300,092
Agriculture	282,331	-	42,814	-	5,704	330,849
Tourism and Hotels	379,335	-	249,744	-	19,502	648,581
Transportation	317,123	-	75,367	-	3,622	396,112
Shares	11,073	-	912	-	-	11,985
General Services	2,958,531	-	122,720	-	12,227	3,093,478
Banks and Financial Institutions	5,097,964	-	23,480	-	28,847	5,150,291
Government and Public Sector	15,743,125	-	177,133	-	-	15,920,258
Total	36,273,176	5,346,584	2,340,144	59,477	119,869	44,139,250

C. Credit exposure categorized by geographical distribution:

	2018						
	Jordan	Other Arab Countries	Asia *	Europe	America	Rest of the World	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	2,714,628	2,474,337	227	2,317,431	-	14,754	7,521,377
Balances and deposits with banks and financial institutions	341,126	1,188,106	350,093	900,956	621,389	119,416	3,521,086
Financial assets at fair value through profit or loss	-	161,672	29,848	217,600	-	7,190	416,310
Direct credit facilities at amortized cost	7,959,333	13,559,563	437,618	1,103,733	67,407	657,888	23,785,542
Consumer Banking	2,831,111	2,218,630	28	109,285	73	272,086	5,431,213
Small and Medium Corporates	917,337	1,487,602	49,153	407,843	26,626	128,599	3,017,160
Large Corporates	4,071,008	8,915,926	388,089	505,419	40,708	257,203	14,178,353
Banks and Financial Institutions	24,813	83,243	348	-	-	-	108,404
Government and public Sector	115,064	854,162	-	81,186	-	-	1,050,412
Other financial assets at amortized cost	3,387,241	4,054,446	117,129	572,678	145,085	231,268	8,507,847
Financial derivatives - positive fair value	8,646	22,952	5	26,150	-	6,210	63,963
Other assets	67,090	187,269	2,212	63,266	619	2,669	323,125
Total	14,478,064	21,648,345	937,132	5,201,814	834,500	1,039,395	44,139,250
Total - as of 31 December 2017	13,226,685	22,090,839	779,247	4,827,844	1,289,787	1,017,198	43,231,600

* Excluding Arab Countries

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

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

* Excluding Arab countries.

E. Fair value of collaterals obtained against total credit exposures

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

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

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

G. The disclosures below were prepared on two stages: the first for the total exposures of credit facilities and the second for the size of the expected credit loss.

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

	2018					
	Stage 2		Stage 3			
Item	Total expected credit loss	Reclassified expected credit loss	Total expected credit loss	Reclassified expected credit loss	Total reclassified expected credit loss	Percentage of reclassified expected credit loss
	USD '000	USD '000	USD '000	USD '000	USD '000	(%)
Direct credit facilities at amortized cost	302,549	(5,307)	1,184,949	10,937	5,630	0.4%
Other financial assets at amortized cost	17,565	(266)	4,776	-	(266)	(1)%
Total	320,114	(5,573)	1,189,725	10,937	5,364	0.4%
Total of indirect facilities	30,398	(923)	11,479	1	(922)	(2.2)%
Total as of 31 December 2018	350,512	(6,496)	1,201,204	10,938	4,442	0.3%

H. Reclassified expected credit loss exposure:

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

I. Classification of debt securities facilities based on risk degree:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	2018		
	Financial assets at fair value through profit or loss	Other financial assets at amortized cost	Total
Credit rating	USD '000	USD '000	USD '000
Private sector:			
AAA to A-	272,987	1,083,197	1,356,184
BBB+ to B-	7,188	235,503	242,691
Below B-	8,908	-	8,908
Unrated	30,349	85,165	115,514
Government and public sector	96,878	7,103,982	7,200,860
Total	416,310	8,507,847	8,924,157

	2017		
	Financial assets at fair value through profit or loss	Other financial assets at amortized cost	Total
Credit rating	USD '000	USD '000	USD '000
Private sector:			
AAA to A-	291,797	1,166,117	1,457,914
BBB+ to B-	-	330,615	330,615
Below B-	-	9,462	9,462
Unrated	31,790	80,578	112,368
Government and public sector	104,620	6,173,251	6,277,871
Total	428,207	7,760,023	8,188,230

46. MARKET RISK

Market Risk Sensitivity

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

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

47. INTEREST RATE RISK

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

	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ASSETS								
Cash at vaults	-	-	-	-	-	-	452,637	452,637
Mandatory cash reserve	-	-	-	-	-	-	1,543,327	1,543,327
Balances with central banks	3,390,329	66,515	13,610	-	-	24,287	2,483,309	5,978,050
Balances and deposits with banks and financial institutions	2,685,357	512,283	153,772	3,327	166,347	-	-	3,521,086
Financial assets at fair value through profit or loss	86,279	72,029	14,917	22,875	65,844	154,366	23,519	439,829
Direct credit facilities at amortized cost	8,027,652	3,825,207	2,294,684	2,766,203	2,131,677	4,740,119	-	23,785,542
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	371,010	371,010
Other financial assets at amortized cost	984,571	1,506,287	766,572	983,669	2,777,828	1,488,920	-	8,507,847
Investments in associates	-	-	-	-	-	-	3,298,251	3,298,251
Fixed assets	-	-	-	-	-	-	455,719	455,719
Other assets and financial derivatives - positive fair value	74,593	47,175	41,402	9,333	16,519	16,653	471,706	677,381
Deferred tax assets	-	-	-	-	-	-	131,946	131,946
Total assets	15,248,781	6,029,496	3,284,957	3,785,407	5,158,215	6,424,345	9,231,424	49,162,625
LIABILITIES								
Banks and financial institutions' deposits	1,856,476	1,627,048	163,605	802	113,566	32,954	472,139	4,266,590
Customer deposits	10,247,573	4,360,822	2,222,335	3,434,781	436,805	50,808	10,677,789	31,430,913
Cash margin	726,432	949,320	558,862	285,666	27,047	10,744	355,400	2,913,471
Borrowed funds	82,444	127,461	15,314	7,661	16,341	32,258	-	281,479
Provision for income tax	-	-	-	-	-	-	321,490	321,490
Other provisions	-	-	-	-	-	-	210,303	210,303
Other liabilities and financial derivatives - negative fair value	95,782	79,771	46,622	14,596	2,356	371	826,082	1,065,580
Deferred tax liabilities	-	-	-	-	-	-	8,210	8,210
Total liabilities	13,008,707	7,144,422	3,006,738	3,743,506	596,115	127,135	12,871,413	40,498,036
Gap	2,240,074	(1,114,926)	278,219	41,901	4,562,100	6,297,210	(3,639,989)	8,664,589

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

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

48. LIQUIDITY RISK

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

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

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

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

49. NET FOREIGN CURRENCY POSITIONS

The details of this item are as follows:

	2018		2017	
	Base currency in thousands	Equivalent in USD '000	Base currency in thousands	Equivalent in USD '000
USD	90,344	90,344	129,701	129,701
GBP	29,957	37,999	5,249	7,091
EUR	(8,763)	(10,013)	17,123	20,550
JPY	(6)	(1,342)	306,724	2,721
CHF	3,978	4,036	1,924	1,974
Other currencies *		(72,093)		105,834
		48,931		267,871

* Various foreign currencies translated to US Dollars.

50. FAIR VALUE HIERARCHY

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

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

Financial assets / Financial liabilities	Fair Value as at 31 December		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018	2017				
Financial assets at fair value	USD '000	USD '000				
Financial assets at fair value through profit or loss						
Government Bonds and bills	96,878	104,620	Level 1	Quoted	Not Applicable	Not Applicable
Corporate bonds and bills	289,808	293,963	Level 1	Quoted	Not Applicable	Not Applicable
Loans and advances	29,624	29,624	Level 2	Through comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	23,519	42,447	Level 1	Quoted and observable inputs from the market.	Not Applicable	Not Applicable
Total Financial Assets at fair value through Profit or Loss	439,829	470,654				
Financial derivatives - positive fair value	63,963	35,420	Level 2	Through comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	194,134	189,573	Level 1	Quoted shares	Not Applicable	Not Applicable
Unquoted shares	176,876	205,990	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total Financial Assets at fair value through other comprehensive income	371,010	395,563				
Total Financial Assets at Fair Value	874,802	901,637				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	51,523	42,154	Level 2	Through comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	51,523	42,154				

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

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

Except as detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Group consolidated financial statements approximate their fair values:

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

The fair values of the financial assets and financial liabilities included in level 2 categories above have been determined in accordance with the generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being that discount rate.

51. ANALYSIS OF ASSETS AND LIABILITIES MATURITIES

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2018:

	Up to One Year	More than One Year	Total
	USD '000	USD '000	USD '000
Assets			
Cash at vaults	452,637	-	452,637
Mandatory cash reserve	1,543,327	-	1,543,327
Balances with central banks	5,953,762	24,288	5,978,050
Balances and deposits with banks and financial institutions	3,354,743	166,343	3,521,086
Financial assets at fair value through profit or loss	157,195	282,634	439,829
Direct credit facilities at amortized cost	12,991,779	10,793,763	23,785,542
Financial assets at fair value through other comprehensive income	-	371,010	371,010
Other financial assets at amortized cost	3,835,185	4,672,662	8,507,847
Investments in associates	-	3,298,251	3,298,251
Fixed assets	-	455,719	455,719
Other assets and financial derivatives - positive fair value	645,473	31,908	677,381
Deferred tax assets	131,946	-	131,946
Total assets	29,066,047	20,096,578	49,162,625
Liabilities			
Banks' and financial institutions' deposits	4,080,071	186,519	4,266,590
Customer deposits	30,568,208	862,705	31,430,913
Cash margin	2,862,964	50,507	2,913,471
Borrowed funds	49,049	232,430	281,479
Other provisions	210,303	-	321,490
Provision for income tax	321,490	-	210,303
Other liabilities and financial derivatives - negative fair value	1,056,984	8,596	1,065,580
Deferred tax liabilities	8,210	-	8,210
Total liabilities	39,157,279	1,340,757	40,498,036
Net	(10,091,232)	18,755,821	8,664,589

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

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

52. CONTRACTUAL MATURITY OF THE CONTINGENT ACCOUNTS

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

	2018			
	Within 1 Year	From 1 Year and up to 5 Years	More than 5 Years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1,781,377	33,312	766	1,815,455
Acceptances	814,634	16,271	-	830,905
Letters of guarantee:				
- Payment guarantees	1,020,651	51,737	20,309	1,092,697
- Performance guarantees	4,188,910	1,416,457	250,689	5,856,056
- Other guarantees	2,855,962	672,003	19,086	3,547,051
Unutilized credit facilities	4,631,092	297,868	26,532	4,955,492
Total	15,292,626	2,487,648	317,382	18,097,656
Constructions projects contracts	2,740	10,409	-	13,149
Procurement contracts	6,861	1,744	2,252	10,857
Operating lease contracts	3,870	12,515	26,124	42,509
Total	13,471	24,668	28,376	66,515

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

53. CAPITAL MANAGEMENT

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

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

The Board of Directors performs an overall review of the capital structure of the Group on a quarterly basis. As part of this review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.

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

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

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

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

54. TRANSACTIONS WITH RELATED PARTIES

The details of this item are as follows:

	2018			
	Deposits Owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits Owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	138,980	-	96,987	90,118
Major Shareholders and Members of the Board of Directors	-	299,103	668,829	89,388
	138,980	299,103	765,816	179,506

	2017			
	Deposits Owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits Owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	135,864	-	112,094	96,837
Major Shareholders and Members of the Board of Directors	-	267,917	361,567	102,448
	135,864	267,917	473,661	199,285

- All facilities granted to related parties are performing loans in accordance with the credit rating of the Group. No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

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

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

- Direct credit facilitates granted to key management personnel amounted to USD 1.6 million and indirect credit facilities amounted to USD 14.1 thousand as of 31 December 2018 (USD 1.5 million direct credit facilities and USD 8.5 thousand indirect credit facilities as of 31 December 2017).
- Deposits of key management personnel amounted to USD 3.1 million as of 31 December 2018 (USD 2.8 million as of 31 December 2017).
- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.
- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 65.2 million for the year ended on 31 December 2018 (USD 60.4 million for the year ended on 31 December 2017).

55. EARNINGS PER SHARE

The details of this item are as follows:

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

There are no instruments that could potentially dilute basic earnings per share in the future.

56. ASSETS UNDER MANAGEMENT

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

57. CASH AND CASH EQUIVALENTS

The details of this item are as follows:

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

58. LEGAL CASES

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

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

59. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

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

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

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

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

Transition to IFRS 16

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

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

IFRS 17 Insurance Contracts

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

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

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

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

60. COMPARATIVE FIGURES

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