

**CENTRAL BANK OF JORDAN
(ESTABLISHED BY A SPECIAL LAW)
AMMAN - THE HASHEMITE
KINGDOM OF JORDAN
FINANCIAL STATEMENTS FOR
THE YEAR ENDED
DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

**CENTRAL BANK OF JORDAN
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AMMAN - THE HASHEMITE KINGDOM OF JORDAN**

FOR THE YEAR ENDED DECEMBER 31, 2018

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NOTES TO THE FINANCIAL STATEMENTS

1- General

The Central Bank of Jordan was established in 1964 by a Special Law and has the status of an autonomous body. The Law stipulates that the objectives of the Central Bank of Jordan are to maintain monetary stability in the Kingdom, ensure the convertibility of the Jordanian Dinar, and promote sustained economic growth in accordance with the general economic policy of the Kingdom.

- According to the Law of the Central Bank of Jordan and its adjustments for the year 1971, if the reserves were not enough to cover any loss incurred by the Bank in the profit and loss account for any financial year, then the Government must pay an adequate amount for such coverage within three months following the year-end of the Bank.
- During June 2016, law number (24) for the year 2016 has been formalized, which represents the amended law for the Central Bank of Jordan law number (23) for the year 1971 and its amendments, the Bank had applied this amended law as soon as it was formalized.
- The Bank is mainly located in Amman, with two branches in Irbid and Aqaba.
- The total number of employees in the Central Bank of Jordan as of the end of 2018 is (761).
- The accompanying financial statements have been approved by the Board of Directors at the meeting held on March 28, 2019.

2- Basis of Preparation of the Financial Statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations. The Central Bank of Jordan Law and the resolutions adopted by the Board of Directors and the Governor are taken into consideration when preparing these financial statements. In case of a difference between International Financial Reporting Standards and the Law of Central Bank of Jordan, Central Bank of Jordan's law is applied.

The main differences between IFRS as applied and the law of Central Bank of Jordan are as follows:

1- Article (9):

- a) Central Bank maintains a general reserve, where 20% of the net profit of the bank is tied in each financial year and pays the remainder (80%) of the net profit for the government.
- b) All net profits are paid to the government when the general reserve exceeds the double of the amount of capital.
- c) Net profits for the purposes of this article are determined after deducting all payments, administrative expenses, contributions in the private provident fund staff of the Central Bank and its employees, and any other special reserves to meet any expected expenses or any shortfall in the assets of the bank.

2- Article (31):

The Central Bank shall maintain assets the value of which at any time shall not be less than the Value of the notes and coins in circulation. Such assets shall consist of all or any of the following:

- a) Gold and gold coins in any form;
- b) The Kingdom's contribution to any regional or international financial institution paid in Gold or convertible foreign currencies;
- c) The Kingdom's holdings in Special Drawing Rights;
- d) Convertible foreign currencies in the form of cash, demand or time deposits, certificates of deposit, or bank acceptances provided that their maturities do not exceed two years;
- e) Financial papers issued or guaranteed by a foreign government or any of its official institutions, or by an international financial institution, made in a convertible currency;
- f) Any foreign currency assets including credit balances in favor of the Kingdom under Payments and setoff agreements; and
- g) Negotiable Government securities.

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3- Article (56):

- a) Any loss or profit arising from the re-valuation of the assets and liabilities of the Central Bank in gold or foreign currencies as a result of any change in the par value of any Foreign currency, shall be excluded from the statement of profit and loss of the Central Bank and shall be carried in a special account. The Central Bank may allocate in Subsequent years the funds required for the amortization of such losses carried in this Special account, and may use any part of its general reserve, on the recommendation of The Board and with the approval of the Council of Ministers, to cover such losses carried in the special account or any part thereof.
 - b) The Board shall determine, for the purpose of the annual balance sheet, the value of all Gold and foreign currency assets corresponding to bank notes in circulation.
- The financial statements have been prepared on the historical cost basis except for the financial assets and liabilities measured at fair value as of the date of the financial statements. The accompanying financial statements include the combined financial statements of the Bank and its branches in Irbid and Aqaba.
- The financial statements are presented in Jordanian Dinar, which is the Bank's functional currency.

- Accounting estimates

The preparation of the financial statements and the application of the accounting policies require the Bank's management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, disclosures and contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions and the balance of financial assets' fair value apperaed within paid-up capital and reserves. Particularly, this requires the Bank's management to issue significant judgments and assumptions to assess the future cash flows amounts and their timing. Moreover, the beforementioned assessments are necessarily based on assumptions and factors with varying degrees of valuation and uncertainty. In addition, actual results may differ from assessments due to the changes arising from the conditions and circumstances of those assessments in the future.

1) Judgments

The following are summary for the most significant matters that used eistimate and judgments in the implimantation of accounting polices which have matrial impact on the fiaical statements

- Classification of financial assets: Valuation of the business model under which the asset is to be held and determining whether the contractual terms of the SPPI are on the outstanding balance.
- The development of new criteria to determine whether financial assets have declined significantly since initial recognition, and determine the methodology of future expectations and methods of measuring expected credit loss.

2) Estimates

The following are the most significant accounting estimates affecting the financial statements as of December 31 2018:

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Applicable in 2018 only:

- Impairment of financial securities: Inputs and measurement of expected credit losses and the future expectations (note 37).

Applicable in 2017 and 2018:

- The Management periodically reassesses the useful economic lives of tangible and intangible assets (if needed) for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their expected useful economic lives. Impairment loss is taken to the statement of profit or loss.
- The Management periodically review financial assets that presented at cost to estimate if there are any indication of impairment. impairment loss is recorded in the statement of profit or loss
- The management reviews periodically the issues that arise on the Bank and takes the necessary provisions for these obligations based on the opinion of the Bank's legal advisor.
- Fair value hierarchy: the Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in the IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

3- Accounting Policies

- The accounting policies adopted for the year are consistent with the policies adopted for the year ended 31 December 2017. Except for the effect of the application of the following new and amended Standards effective January 1st, 2018:
 - International Financial Reporting Standard (9): Financial Derivatives
 - International Financial Reporting Standard (15): Revenue from Contracts with Customers.
 - International Financial Reporting Standard (2): Classification and Measurements of Share-Based Payments.
 - IAS (40): Clarify Transfers of Investment in Property.
 - Annual Improvements to IFRSs (2014 –2016) Cycle- Amendments on IFRS (1) and IAS (28).
 - IFRIC (22): Foreign currency transactions and Advance Consideration.

The adoption of the above standards has not affected the amounts or disclosures in the financial statements, except for the effect of applying International Financial Reporting Standard (9), the expected financial impact of applying IFRS (9) is as follows:

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IFRS (9): Financial Instruments

- The Bank has applied early for the first phase of IFRS 9 "Financial Instruments" issued in 2009, which created new requirements for the classification and measurement of financial assets and financial liabilities. The Standard requires that all financial assets be measured within the scope of IAS 39: "Recognition and measurement" is carried at amortized cost or fair value. In particular, investments held in a business model are intended to collect contractual cash flows which consist of solely payments of principal and interest on the outstanding debt balance and measured at amortized cost at the end of subsequent accounting periods. All other investments (equity and debt instruments) are measured at fair value at the end of subsequent accounting periods.
- The Bank has applied the final stage of IFRS 9 "Financial Instruments" in the preparation of the financial statements effective 1 January 2018 in accordance with the revised provisions of the Standard. IFRS 9 replaces the "IAS 39 applies to the "expected credit loss" model, applying this model to all financial assets that are debt instruments that are subject to credit risk and are subject to the expected credit loss, with the exception of financial instruments carried at fair value through profit or loss. Ir financial instruments (equity instruments) and instruments recorded at fair value through other comprehensive income that have been traded in the short term, and it has been recognized as credit losses on the basis of the International Financial Reporting Standard (9) than it was in the IAS (39).

The application of IFRS 9 to the financial statements of the Bank as at 1 January 2018 resulted in a decrease in the opening balance of the special reserve to offset the decrease in the Bank's assets by 2,053,519 JD as follows:

<i>In Jordanian Dinar</i>	Impact of IFRS (9) Implementation on Opening Balances
Provisions	
Reserve balance as of December 31, 2017 according to IFRS (39)	151,155,642
Expected credit losses resulted from application of IFRS (9)	<u>(2,053,519)</u>
Reserve balance as of January 2018	<u>149,102,123</u>

The following the effect of application IFRS (9) on beginning balances for financial assets as of January 1st 2018:

Financial Instrument	Amount as of December 31, 2017	Expected Credit Loss	Balance as of January 1st, 2018 After Applying IFRS 9
Gold	1,473,701,649	8,557	1,473,693,092
Cash balances and deposits	4,856,143,354	1,251,662	4,854,891,692
Foreign financial asset at amortized cost	4,076,462,256	233,735	4,076,228,521
Credit facilities and commercial exchange agreements	766,882,210	-	766,882,210
Financial securities and others	498,889,563	240,715	498,648,848
Advances granted to local banks and financial institutions	511,805,826	202,778	511,603,048
Financing of financial securities repurchase agreements	25,000,000	-	25,000,000
Other assets – Jordanian Currency	40,854,583	116,072	40,738,511
Total	<u>12,249,739,441</u>	<u>2,053,519</u>	<u>12,247,685,922</u>

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The following the effect of application IFRS (9) on beginning balances for provisions amounts after the application:

<i>Item</i>	Provisions Balance before Implementation	Result of Recalculation Difference	Provisions Balance According to IFRS 9 as of January 1st, 2018
Gold	-	8,557	8,557
Cash balances and deposits	-	1,251,662	1,251,662
Foreign financial asset at amortized cost	-	233,735	233,735
Financial securities and others	-	240,715	240,715
Advances granted to local banks and financial institutions	101,093,961	202,778	101,296,739
Financing of financial securities repurchase agreements	-	-	-
Other assets – Jordanian Currency	-	116,072	116,072
Total	101,093,961	2,053,519	103,147,480

The following financial assets that have been subject to expected credit loss measurement:

<i>Item</i>	As of December 31, 2018	Balance as of January 1st, 2018 After Applying IFRS 9
Foreign currencies:		
Gold	1,302,180,755	1,473,693,092
Cash balances and deposits	5,381,243,055	4,854,891,692
Foreign financial asset at amortized cost	3,311,419,997	4,076,228,521
Credit facilities and commercial exchange agreements	766,882,210	766,882,210
Local currency:		
Financial securities and others	410,001,623	498,648,848
Advances granted to local banks and financial institutions	587,356,442	511,603,048
Financing of financial securities repurchase agreements	214,000,000	25,000,000
Other assets – Jordanian Currency	38,759,798	40,738,511
Total	12,011,843,880	12,247,685,922

Classification and Measurement of Financial Assets and Financial Liabilities

IFRS (9) largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities. However, it eliminates the classification of held-to-maturity financial assets, loans and receivables and available-for-sale assets that fall under the International Accounting standards No. (39).

A- Financial Assets:

The Bank has early adopted the first phase of IFRS (9) as of January 1st, 2011. There were no material differences between the first phase of the Standard and the final version of the Standard issued on July 24, 2014.

Under IFRS (9), on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income – debt investment or equity investment; or fair value through statement of profit or loss. The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through statement of profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual future cash flows.
- Its contractual terms give rise on specified dates to cash flows (that are solely payments of principal and interest on the principal amount outstanding).

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows (that are solely payments of principal and interest on the principal amount outstanding).

On initial recognition of an equity investment not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in the statement of comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through the statement of profit or loss. This includes all derivative financial assets. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies applied are similar to the accounting policies adopted by the Bank (considering that the Bank has early adopted to the first phase of IFRS (9)) with the exception of the following accounting policies that became effective from January 1, 2018:

Debt investments at fair value through satatement of other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method. Impairment losses are recognized in the statement of profit or loss. Other net gains and losses are recognized in the statement of other comprehensive income. On derecognition, accumulated gains and losses transferred from the statement of other compressive income to statement of profit or loss.
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B- Financial Liabilities:

The adoption of IFRS (9) has no material impact on the Bank's accounting policies relating to financial liabilities. IFRS (9) has maintained the requirements of IAS (39) regarding the classification of financial liabilities. IAS (39) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the statement of profit or loss, whereas IFRS (9) requires:

- Recognition of differences in valuation of financial liabilities classified as financial liabilities at fair value through statement of profit and loss as a result of changes in credit risk in the statement of comprehensive income.
- The remaining amount of fair value valuation differences is recognized in the statement of profit or loss.

The Bank has not classified any financial liabilities as financial liabilities at fair value through profit or loss. Accordingly, there is no impact of applying IFRS (9) to the financial statements.

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C- Impairment on financial assets:

IFRS (9) replaces the "loss recognition" model adopted in IAS (39) to calculate the impairment of financial assets over "expected credit loss" model, which requires the use of estimates and judgments to estimate economic factors which has an effect on the impairment on the new module. The model will be applied to financial assets - debt instruments classified at amortized cost or at fair value through other statement of comprehensive income but not an investments in equity instruments. Where credit losses are recognized in accordance with IFRS (9), which is earlier than IAS (39).

Under IFRS (9), impairment losses are measured according to the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the financial statements date.
- Lifetime ECLs: These ECLs result from all possible default events over the expected life of a financial instrument from the date of financial statements.

The Bank measures impairment allowances equal to expected credit losses within 12 months if these assets are classified as stage 1 and have the following characteristics:

- Debt securities that are determined to have low credit risk at the financial statements date.
- Other debt securities and balances at central Banks and financial institutions and for which credit risk has not significantly increased since initial recognition.

The expected impairment of the life of the financial instrument to maturity is calculated in the event of a significant increase in credit risk, which requires the conversion of the financial instrument from level 1 to level 2, or if the financial instrument is applied to specific situations within the Standard, within the second level directly.

If the financial instrument is impaired or there is objective evidence of impairment as a result of a loss or default after initial recognition with a negative impact on the future cash flow, the financial instrument is transferred to the third level. The expected credit loss model requires recognition of expected loss over the life of asset debt instruments that are very similar to the requirements of IAS (39).

When determining whether the credit risk of financial assets has significantly increased since initial recognition and in estimating expected credit loss, the Bank relies on reasonable and supportive information available and relevance, including quantitative and qualitative information and analysis of this information based on the Bank's past experience and credit study, in addition to expected future information the bank assumes that credit risk on financial assets had significantly increase if its due more than 30 days on its maturity or the credit rating for customer had decreased by 2 levels.

Note (37) clarifies in detail the Bank's policy regarding IFRS (9) and the methodology adopted by the Bank to apply the requirements of IFRS (9).

Transmission to IFRS (9):

The Bank has utilized the exception provided by the standard on the implementation as of January 1, 2018, by recording the impact from adopting IFRS (9) to the opening balances of retained earnings rather than restating the financial statements for the year ended December 31, 2017 and earliest, note (37) provides detailed information about the Bank methodology and the distribution of financial assets according to IFRS (9) requirements.

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• **IFRS (15) Revenue from Contracts with Customers**

IFRS (15) replaces IAS (11) Construction Contracts and IAS (18) Revenue and Related Interpretations and applies to all revenue from customer contracts, unless these are within the scope of other criteria, the Standard. The new five-step model for recognition of revenue arising from contracts with customers under IFRS (15) Revenue is recognized at the amount of the amount that the entity expects to achieve against the transfer of goods or services to the customer.

The Standard requires the use of estimates, taking into account all relevant facts and circumstances when applying the revenue recognition steps. The Standard also defines the accounting treatment of incremental costs of obtaining the contract and the direct costs associated with the execution of the contract.

No significant impact has been incurred in applying IFRS (15) to the financial statements of the Bank.

The most significant accounting policies adopted are as follows:

**A- Effective Interest Rate
(Policy applicable from January 1st, 2018)**

Interest income and expense are recognized in statement of profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the:

- Gross carrying amount of the financial asset.
- Or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or low credit risk assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit loss.

For purchased low credit risk financial securities, a credit adjusted effective interest rate is calculated using estimated future cash flows including expected credit loss.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and total carrying book value

The "amortized cost" of financial assets and liabilities is the amount at which the financial assets and financial liabilities are measured at initial recognition less the repayment of the principal of the loan, plus the accumulated amortization using the effective interest method for any difference between the amount at initial recognition and the amount of the receivable. Financial assets The Bank's management, in accordance with its business model, aims to maintain its contractual cash flows which consist of payments of principal and interest on the outstanding debt balance.

These assets are recognized at cost, plus acquisition costs, and the allowance / discount is amortized using the effective interest method by taking into account or credited to the interest expense and any impairment loss is recognized in the statement of profit or loss.

"Total carrying amount of financial assets" is the amortized cost of financial assets before the expected provision for credit loss.

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Calculation of Investments revenue and Expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

B- Leases

- Bank acting as a lessee – Finance Leases

Assets held by the bank under leases that transfer to the bank substantial risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

- Bank acting as a lessee – Operating Leases

Assets held under other leases are classified as operating leases and are not recognized in the Bank's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

- Bank acting as a lessor – Finance Leases

Where the Bank is the lessor in a lease agreement that transfers substantial risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within loans and advances.

C- Financial Instruments

- Recognition and Initial Measurement

Loans, advances, deposits and debt instruments are initially recognized at inception. All other financial assets and financial liabilities are recognized initially when the Bank becomes a party to the contractual provisions of the financial asset or liability.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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- Classification

Financial Assets- Policy Applicable from 1 January 2018

Upon initial recognition, financial assets are classified as assets at amortized cost or at fair value through statement of comprehensive income or at fair value through statement of profit or loss.

Financial assets are measured at amortized cost if the following two conditions are met and are not designated as a fair value instrument through statement of profit or loss:

- These financial assets are retained in the business model whose objective is to hold the assets to collect contractual cash flows.
- Be on specific dates and these flows are only payments out of the amount and interest on the original amount outstanding.

Financial assets are measured at fair value through statement of comprehensive income if the following two conditions are met and are not designated as a fair value through statement of profit or loss:

- These financial assets are held in a business model whose objective is to be achieved through the collection of contractual cash flows and the sale of financial assets.
- Be on specific dates and these flows are only payments out of the amount and interest on the original amount outstanding.

Upon initial recognition of investment in shares not held for trading, the Bank may, with no right to withdraw its decision, choose to present subsequent changes in the fair value of the investment in comprehensive income. These decisions are made for each investment separately.

All other financial assets are measured at fair value through profit or loss.

Financial Assets - Business Model Assessment (Policy Applicable from 1 January 2018):

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:-

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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Financial Assets (Assessment of whether contractual cash flows are solely payments of principal and interest: Policy Applicable from January 1st, 2018):

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets.

Financial Liabilities

The Bank classifies financial liabilities other than financial guarantees and loan commitments and are measured at amortized cost or at fair value through profit or loss.

- Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets or financial liabilities.

- Derecognition

Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The difference between the carrying amount of the assets derecognised and the recoverable amount of the Bank is recognized in the statement of profit or loss and the cumulative portion of the comprehensive income for the profit or loss relating to that asset is reversed.

From January 1st 2018 any cumulative gain/loss in revaluation reserve recognized in other comprehensive income in respect of equity investment securities designated as at fair value through other comprehensive income is not recognized in the statement of profit or loss and transferred to special reserves in capital and reserves.

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Financial Liabilities

The Bank derecognises financial liabilities when their contractual obligations are discharged, cancelled or expired.

- Modifications of Financial Assets and Financial Liabilities - Policy Applicable from 1 January 2018

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the new asset.
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Adjusted Financial Liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the statement of profit or loss.

D- Fair Value

- The closing price as of the date of the financial statements in active markets represents the fair value of financial assets and derivatives that have declared market prices.

In case a declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by:

- Comparison with the current market value of a highly similar financial instrument.
- The estimated future cash flows and discounted cash flows at current rates applicable for items with similar terms.
- Fair value pricing models.

Evaluation of long-term assets and liabilities that bear no interest in accordance with discounted cash flows using effective interest rate. Premiums and discounts are amortized within interest revenues or expense in the statement of profit or loss.

The evaluation methods aim to obtain a fair value that reflects market expectations and takes into consideration market factors and any expected risks or benefits at the time of evaluation of the financial instruments. In case the fair value of a financial instrument cannot be measured reliably, it is stated at cost less any impairment.

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E- Impairment in Financial Assets (Policy applicable from January 1st, 2018)

Financial Assets

The Bank recognises expected credit loss on:

- Financial assets at amortized cost.
- Gold
- Cash balances and deposits
- Credit facilities and commercial exchange agreements
- Financial securities and others
- Advances granted to local banks and financial institutions
- Financing of financial securities repurchase agreements
- Other assets – Jordanian currency

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime expected credit loss, except for the following, for which they are measured as 12-month expected credit loss:

- Debt investment securities determined to have low credit risk at the date of financial statements.
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

(Policy applicable before January 1st, 2018)

The Bank reviews the carrying amounts of financial assets at the balance sheet date to determine whether there are indications of impairment in their value individually or in the form of a group. If such indicators exist, the recoverable amount is estimated to determine the impairment loss.

The amount of impairment is determined as follows:

- Impairment of financial assets carried at amortized cost: represents the difference between the carrying value of the records and the present value of the expected cash flows discounted at the original effective interest rate.
- Impairment is recognized in the statement of profit or loss and any subsequent provision is recorded in the subsequent period as a result of the previous impairment of the debt instruments in the statement of profit or loss and to the equity instruments in the other comprehensive income statement.

F- Financial Instruments (Policy applicable before January 1st, 2018)

Non-Derivative financial assets – Loans and accounts receivables

- The Bank recognizes loans and receivables as they occur. All financial assets are initially recognized on the date that they occur when the Bank becomes a party in the contractual provisions.
- The Bank derecognises financial assets when the cash flows' contractual rights are expired or the transfer of rights to obtain the contractual cash flows is transferred so that all the risks related to the financial asset are transferred. Any interest acquired or acquired from the transfer of financial assets is recognized as separate assets or liabilities.
- The financial assets and financial liabilities are offset so that they will be presented in net amount in the statement of financial position only when the Bank has the legal right to settle the amounts or to realize the assets and settle the liabilities that will be realized at the same time.
- Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active financial markets. These assets are initially recognized at fair value when acquired or established, plus all associated transaction costs, measured at amortized cost using effective interest, net of any impairment loss.

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- Fair Value

- The fair value of listed financial assets and derivatives is represented by their closing prices (purchase assets /selling liabilities) in active markets at year-end.
- The fair value of an unlisted financial asset or derivative that has no quoted market price or active market is estimated by one of the following methods:
 - Comparing it to the current market value of a similar financial asset
 - Analyzing future cash flows and discounting expected future cash flows at a discount rate used for a similar instrument.
 - Adopting options pricing models.
 - Long-term, non-interest bearing financial assets and liabilities are valued through discounting the cash flows at the effective interest rate. Moreover, the resulting difference is taken to interest income in the statement of profit or loss.

The valuation methods aim to obtain a fair value that reflects the market expectations. Moreover, market factors and expected risks and benefits are taken into consideration upon estimating the value of the financial instruments.

Impairment in the Value of Financial Assets

The Bank reviews the values of financial assets on the statement of financial position date, in order to determine if there are any indications of impairment in their value individually or in aggregate. In case such indications exist, the recoverable value is estimated in order to determine the impairment loss.

- The amount of impairment is determined as follows:
- Impairment of financial assets carried at amortized cost: represents the difference between the carrying value of the records and the present value of the expected cash flows discounted at the original effective interest rate.
- Impairment is recognized in the statement of profit or loss and any subsequent provision is recorded in the subsequent period as a result of the previous impairment of the debt instruments in the statement of profit or loss and to the equity instruments in the other comprehensive income statement.

Non-Derivative financial liabilities

- Financial liabilities are initially recognized at fair value through the statement of financial position at the date of its occurrence ,so the Bank becomes a party to the contractual provisions.
- The Bank derecognises the financial liabilities when the contractual rights become expired or cancelled .

Non-derivavtive financial liabilities are classified as other financial liabilities . The initial recognition of such financial liabilities is to be recognized at fair value less any direct transaction costs. After the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method

G- Financial assets at amortized cost

- Financial assets at amortized cost are the financial assets in which the Banks management, according to its business model, intends to hold for the purpose of collecting the contractual cash flows which comprise payments of loan principal and interest on the outstanding principle.
- Financial assets are recorded at cost plus any acquisition expenses upon purchase. Moreover, the premium / discount is amortized using the effective interest rate method, and debited or credited to interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or parts of them are deducted. Any impairment is recorded in the statement of profit or loss and should be presented subsequently at amortized cost less any impairment losses.

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- The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- It is not allowed to reclassify any financial assets from / to this category except for certain cases specified at the International Financial Reporting Standards and in the case of selling those assets before its maturity date, the results should be recorded in a separate account in the statement of income, disclosures should be made in accordance to the requirements of International Financial Reporting Standards.

H- Financial assets at fair value through profit or loss

- It is the financial assets held by the Bank for the purpose of trading in the near future and recognizing gains through the short-term market prices' fluctuations or through trading margins.
- Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded at the statement of profit or loss upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the statement of profit or loss including the change in fair value resulting from translation of non-monetary assets stated at foreign currency and gold valuation differences account according to the Central Bank of Jordan's law. Gains or losses resulting from the sale of these financial assets are recorded in the statement of profit or loss.
- Dividends paid and interests recognized from these financial assets are recorded in the statement of profit or loss.
- Reclassifying any of such financial assets (to / from this category) is prohibited, except for the specific cases mentioned in International Financial Reporting Standards.

I- Financial assets at fair value through other comprehensive income

- These financial assets represent the investments in long-term equity instruments, which represents Banks participations in International and Regional Financial Institutions and its participations in Local Financial Institutions.
- Financial assets at fair value through other comprehensive income are initially recorded at fair value plus acquisition costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value which are recognized in the statement of comprehensive income and within the reserves. However, the changes in fair value resulting from translation of non-monetary assets stated at foreign currency are recorded in foreign currency and gold valuation differences account according to the Central Bank of Jordan's law. Gain or Loss from the sale of these investments should be recognized in the statement of comprehensive income and within the reserves, and the balance of the revaluation reserve for these assets should be transferred directly to the special reserves not to the statement of profit or loss.
- These assets are not subject to impairment tests.
- Dividends from these investments are recorded in the statement of profit or loss.

J- Offset

Financial assets and financial liabilities can be offset with net amount presented in the statement of financial position, only when a legal binding rights are available, and when they are settled under the offset basis, or the realization of the asset is and the settlement of the liability are done at the same time.

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K- Advances and direct credit facilities

- The advances and direct credit facilities are financial assets with fixed or determinable payments that were initially made by the Bank or acquired and with no market prices in active markets.
- The advances and credit granted are recognized directly at cost and are recognized in the statement of financial position after deducting provisions.
- Provision for doubtful debts and advances is made if it is not possible to collect the amounts due to the Bank and when there is an objective evidence that an event had a negative effect on the future cash flows of the advances and direct credit facilities . When the impairment amount can be estimated , it's recorded in the profit or loss statement .
- Provision for direct credit facilities is based on the Bank's internal policy and is in accordance with International Financial Reporting Standards.

- L-** Gold is stated in the statement of financial position on the basis of the prevailing international prices of International Markets when preparing the evaluation bulletin approved by the Central Bank on the last working day of the year amounting to JD 906.845 per ounce as of December 31, 2018, the ounces quantity is 1,435,953 (923.610 per ounce as of December 31, 2017 the ounces quantity was 1,595,589).

All the balances of the gold deposit accounts are classified as part of the first phase in accordance with the requirements of IFRS 9, and there are no transfers between (the first, second and third stages), or non-existent balances during the year ended 31 December 2018. The movements on each of the balances Gold deposits and provision for credit losses expected for the balances of these accounts according to the stages of classification according to the Bank's internal system:

The movement on gold deposit balances subject to the expected credit loss measurement as at 31 December 2018 on individual level is as follows:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	275,235,780	-	-	275,235,780
Debit transactions during the year	1,038,241,610	-	-	1,038,241,610
Credit transactions during the year	(985,954,055)	-	-	(985,954,055)
	327,523,335	-	-	327,523,335
Gold valuation losses	(2,872,825)	-	-	(2,872,825)
Ending Balance	324,650,510	-	-	324,650,510

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The movement on Provision for expected credit losses for gold deposits as of December 31, 2018:
Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance after the application of IFRS (9)	8,557	-	-	8,557
Impact of revaluation	(153)	-	-	(153)
Increase in credit losses during the year (Recovered) from credit losses during the year	-	-	-	-
	(2,320)	-	-	(2,320)
Ending balance	6,084	-	-	6,084

M- Repurchase and resale agreements

- Recognition of assets sold in which simultaneous commitment to repurchase them at a future date is continued in the financial statements due to the Bank's continued control over those assets and because risks and benefits affect the Bank upon occurrence. Moreover, they are valued according to the applied accounting policies. The corresponding amounts from these contracts are recorded within liabilities under borrowed funds. The difference between the selling price and repurchase price is recognized as an interest expense due over the term of the agreement using the effective interest rate method.
- The assets purchased with simultaneous commitment to resell them at a specified future date are not recognized in the financial statements due to lack of control over these assets and because benefits and risks are not transferred to the Bank upon occurrence. The amounts paid on these agreements are recorded within deposits at banks and other financial institutions or within financing repurchase agreements depending on the case. The difference between the purchase price and resale price is considered as interest income to be recognized over the term of the agreement using the effective interest rate method.

N- Property, equipment and software

Fixed assets are recorded at historical cost after deducting accumulated depreciation or any impairment in their value. Property and equipment (except for land) are depreciated, once they are available for use, according to their expected economic useful lives using the straight-line method based on the following annual rates:

	<u>%</u>
Buildings	3
Buildings improvements	20
Furniture, fixtures, and decorations	10
Vaults and safe boxes	5
Computers	25
Machinery and equipment	15
Vehicles	15
Softwares	25

- In the event that the recoverable amount of any property and equipment is less than its net book value, the value of the property and equipment is reduced to the recoverable amount, and the impairment loss is charged to the statement of profit or loss.

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- At the end of each year, the economic useful lives of property and equipment are reviewed. In case the expected economic useful lives differ from the previously prepared estimates, the change in estimate is recorded in the subsequent years, being a change in estimates.
- Property and equipment are derecognized upon disposal or when no future benefits are expected from their use or disposal.

O- The costs of printing new currency notes and minted coins are amortized over three years.

P- Interest earned is recognized on the accrual basis except for interest from credit facilities and other commercial payment agreements which is recognized as income only when received.

Q- Interest and commissions expenses are recognized on the accrual basis.

R- Financial derivatives and hedge accounting

- Financial derivatives to trade:
The fair value of the financial instruments derivatives reserved for trading purposes (such as foreign currency futures, future interest rate contracts, swap contracts, foreign exchange rates options rights) on the statement of financial position. The fair value is determined according to the prevailing prices in market, and the changes in the fair value is recorded in the statement of the profit or loss.
- Financial derivatives to hedge:
For the purposes of hedge accounting, financial derivatives are presented at fair value and are classified as follows:
 - Fair value Hedging
 - Is to hedge the risk of a change in the fair value of the Bank's assets and liabilities.
 - If effective fair value hedging conditions are applied, gains or losses arising from the valuation of the hedging instrument, and from the change in fair value of the hedged asset or liability will be recognized in the statement of profit or loss.
 - If effective fair value hedging conditions are applied, gains or losses arising from the valuation of the hedging instrument at fair value, and from the change in fair value of the hedged asset or liability's portfolio will be recognized in the statement of profit or loss in the same year.
 - Cash flow hedging
 - Is to hedge the risk of changes in the cash flows of the Bank's current and expected assets and liabilities
 - If effective cash flow hedging conditions are applied, gains or losses for the hedging instrument are recognized in equity and reserves and are transferred to profit or loss in the period in which the hedged transaction affects the statement of profit or loss.
 - Hedges that do not qualify for effective hedging conditions, gains or losses arising from changes in the fair value of the hedging instrument are recognized in profit or loss in the same year.

S- Date of Recognizing Financial Assets

The purchase or sale of financial assets is recognized at the trading date (the date of the Bank's commitment to purchase or sell the financial assets).

Foreign Currency

- Transactions in foreign currencies occurred during the year are recorded at the prevailing exchange rates at the date of the transaction.
- Financial assets' and financial liabilities' balances denominated in foreign currencies are translated at the prevailing average exchange rates on the statement of financial position date as declared by the Bank against the Jordanian Dinar.

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- Non-monetary assets and liabilities denominated in foreign currencies and presented at fair value are translated on the date when their fair value is determined.
- The currency differences arising from the revaluation of the Bank's assets in foreign currencies are transferred to the foreign currency and gold valuation account. Appearing on the assets side if its balance was debit and on the liabilities side if its balance was a credit.

Under the Law of Central Bank, Article 9/A, the Central Bank of Jordan has to maintain a general reserve of 20% of the net profit of the Bank in each fiscal year and pay the remaining to the Government.

T- Provisions

A provision is recognized if, as a result of a past event, the Banks has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation in which can be measured reliably.

4- The Application of New International Financial Reporting Standards and its Amendments

That a number of new standards and amendments to new standards and interpretations will become effective after the financial year beginning on 1 January 2019:

- IAS 16 Leasing (effective 1 January 2019 with early application permitted).
- IFRS 17 Insurance Contracts (effective 1 January 2021 with early application permitted).
- IFRIC 23 Impairment of Income Tax Processes (effective 1 January 2019).
- Amendments to IFRS 9 "Pre-payment Features with Negative Compensation" (effective 1 January 2019).
- Amendments to IAS 19 Amendments to the Plan, Amortization or Settlement (effective 1 January 2019).
- Annual improvements to IFRS 2015-2017 (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective January 1, II 2019).
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between Investor and its Associates or Joint Venture (no date specified).

The management of the Bank does not expect that there will be a material impact on the above standards when applied.

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5- Cash, Balances and Deposits

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Cash at bank	178,646,585	232,626,146
Current accounts	740,955,582	599,577,895
Demand accounts and deposits *	4,462,890,841	4,023,939,313
	5,382,493,008	4,856,143,354
Expected credit losses provision	(1,249,953)	-
	5,381,243,055	4,856,143,354
Cash and cash equivalent for cash flow purposes	5,382,493,008	4,856,143,354

Current accounts in convertible foreign currencies balances that apply for expected credit loss measurement as of December 31, 2018:

Jordanian Dinar

<u>Item</u>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	157,902,950	-	-	157,902,950
Debit transactions during the year	1,937,721,307	-	-	1,937,721,307
Credit transactions during the year	(1,408,546,112)	-	-	(1,408,546,112)
Ending Balance	687,078,145	-	-	687,078,145

Provision for expected credit losses for current account balances in convertible foreign currencies as of December 31, 2018:

Jordanian Dinar

<u>Item</u>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	251	-	-	251
Increase in credit losses during the year	1,949	-	-	1,949
Ending Balance	2,200	-	-	2,200

* All of deposits and demand accounts balances are classified in stage 1 according to IFRS (9) requirements, in addition there is no transition between the stages (stage 1,2 and 3) or written off balances during year ended December 31, 2018 and the following are the movement for each balances and expected credit losses for those accounts based on their stages according to the Bank's internal system.

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Deposits balances that apply to expected credit loss measurement as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	4,023,575,000	-	-	4,023,575,000
Debit transactions during the year	10,856,917,000	-	-	10,856,917,000
Credit transactions during the year	(10,418,046,000)	-	-	(10,418,046,000)
Ending Balance	4,462,446,000	-	-	4,462,446,000

Provision for expected credit losses for deposits and demand accounts as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	1,251,411	-	-	1,251,411
Increase in credit losses during the year	(3,658)	-	-	(3,658)
Ending Balance	1,247,753	-	-	1,247,753

*The following are the details of deposits according to the maturity date:

	Due within 3 Months	Due within a Period from 3 to 6 Months	Due within a Period from 6 to 1 Year	Total
2018	JD	JD	JD	
Demand accounts and deposits	3,144,471,725	698,122,549	619,048,814	4,461,643,088
2017				
Demand accounts and deposits	2,169,195,313	1,337,174,000	517,570,000	4,023,939,313

During the year 2018, interest rates on (USD) currency deposit accounts ranged from 1.74% to 3.45% depending on maturity date.

6- Financial Securities at Fair Value Through Profit or Loss – Foreign currencies

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Foreign bonds with fixed interest rates	56,035,926	70,487,617
Foreign bonds with floating interest rates	71,156,640	351,671,001
Special issue bonds	141,800,000	141,800,000
	268,992,566	563,958,618

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7- Foreign Financial Securities at Amortized Cost

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
a. Foreign Bonds		
Foreign bonds with fixed interest rates	1,196,895,676	1,276,596,494
Foreign bonds with floating interest rates	1,683,852,299	2,073,740,873
	2,880,747,975	3,350,337,367
b. Foreign Commercial Papers	430,834,043	726,124,889
Gross foreign financial securities at amortized cost	3,311,582,018	4,076,462,256
Less: Expected credit losses provision	(162,021)	-
	3,311,419,997	4,076,462,256

- The maturities of foreign bonds range from two weeks to seven years with interest rates ranging from 0% to 6.75%.
- All of foreign bonds accounts balances are classified in stage 1 according to IFRS (9) requirements in addition there is not transition between stages (stage 1,2 and 3) or written off balances during year ended December 31, 2018, the following are the movement on each of balances and expected credit losses for the accounts balances based on their stages according to the Bank internal system:

Accounts balances for foreign bonds with fixed interest rates as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	1,276,596,494	-	-	1,276,596,494
Debit transactions during the year	327,248,572	-	-	327,248,572
Credit transactions during the year	(406,949,390)	-	-	(406,949,390)
Ending Balance	1,196,895,676	-	-	1,196,895,676

Provision for expected credit losses for foreign bonds with fixed interest rates account balances in as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	71,764	-	-	71,764
Increase in credit losses during the year (Recovered) from expected credit loss	-	-	-	-
	(9,987)	-	-	(9,987)
Ending Balance	61,777	-	-	61,777

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Accounts balances for foreign bonds with floating interest rates as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	2,073,740,873	-	-	2,073,740,873
Debit transactions during the year	283,692,652	-	-	283,692,652
Credit transactions during the year	(673,581,226)	-	-	(673,581,226)
Ending Balance	1,683,852,299	-	-	1,683,852,299

Provision for expected credit losses for foreign bonds with floating interest rates account balances in as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	129,226	-	-	129,226
Increase in credit losses during the year (Recovered) from expected credit loss	-	-	-	-
	(48,437)	-	-	(48,437)
Ending Balance	80,789	-	-	80,789

- The maturity of foreign commercial papers range from 32 days to 221 days at a discount rate ranging from 2.33% to 3.05%.
- All of foreign commercial papers accounts balances are classified in stage 1 according to IFRS (9) requirements in addition there is not transition between stages (stage 1,2 and 3) or written off balances during year ended December 31, 2018, the following are the movement on each of balances and expected credit losses for the accounts balances based on their stages according to the bank internal system:

Accounts balances for foreign commercial papers as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	726,124,889	-	-	726,124,889
Debit transactions during the year	800,114,154	-	-	800,114,154
Credit transactions during the year	(1,095,405,000)	-	-	(1,095,405,000)
Ending Balance	430,834,043	-	-	430,834,043

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Provision for expected credit losses for foreign commercial papers account balances in as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	32,745	-	-	32,745
Increase in credit losses during the year (Recovered) from expected credit loss	-	-	-	-
	(13,290)	-	-	(13,290)
Ending balance	19,455	-	-	19,455

8- Past Due Direct Credit Facilities and Commercial Exchange Agreements

This item represents balances arising from commercial exchange agreements and past due debts on the Central Bank of Iraq as regards implementation of facilities arrangements. The details are as follows:

December 31, 2018

	Equivalent	Amount
	JD	USD
Past due commercial exchange Agreements	93,059,821	131,255,036
Past due debts	673,822,389	950,384,188
	766,882,210	1,081,639,224

December 31, 2017

	Equivalent	Amount
	JD	USD
Past due commercial exchange Agreements	93,059,821	131,255,036
Past due debts	673,822,389	950,384,188
	766,882,210	1,081,639,224

The above balance represents past due facilities, and the related interest in suspense amounted to JD 360,647,460 as of December 31, 2018 (JD 348,840,250 as of December 31, 2017) and recorded by the Central Bank in private records within the off- financial position items.

Accounts balances for past due direct credit facilities and commercial Exchange Agreements as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	766,882,210	-	-	766,882,210
Debit transactions during the year	-	-	-	-
Credit transactions during the year	-	-	-	-
Ending balance	766,882,210	-	-	766,882,210

No provision had been booked for past due direct credit facilities and commercial exchange agreements as of January 1st, 2018 and December 31, 2018.

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9- Special Drawing Rights

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Special drawing rights	22,746,644	43,125,921
	22,746,644	43,125,921

This item represents Jordan's share from the allocations of Special Drawing Rights at the International Monetary Fund in the amount of SDRs 23,067,981 unit as of December 31, 2018 (SDRs 42,711,407 unit as of December 31, 2017). According to the average exchange rate of the Jordanian Dinar against SDRs, this liability amounted to JD 22,746,644 as of December 31, 2018 (JD 43,125,921 as of December 31, 2017).

Accounts balances for special drawing rights as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	43,125,921	-	-	43,125,921
Debit transactions during the year	1,581,782	-	-	1,581,782
Credit transactions during the year	(21,961,059)	-	-	(21,961,059)
Ending Balance	22,746,644	-	-	22,746,644

No provision had been booked for special drawing rights as of January 1st, 2018 and December 31, 2018.

10- Foreign Financial Assets at Fair Value Through Other Comprehensive Income

This item consists of the Bank's contributions in International and Regional Financial Institutions as follows:

	Currency	December 31,	
		2018	2017
		JD	JD
Arab Fund for Economic and Social Development	Kuwait Dinar	225,652,527	214,730,863
Arab Monetary Fund	Arabic Dinar	63,790,456	62,212,628
Islamic Development Bank	Islamic Dinar	38,987,556	39,425,683
Arab Bank for Economic Development in Africa	USD	7,408,813	6,807,919
Arab Investment Guarantee Corporation	Kuwait Dinar	2,922,684	2,759,282
IBRD (World Bank)	USD	4,433,299	4,236,119
IBRD (World Bank)	JOD	15,180,548	14,820,530
Islamic Corporation for trade financing	USD	534,108	522,696
Islamic Corporation for Investment and Export Credit	Islamic Dinar	331,579	346,033
Contribution in Arab Monetary Fund	Jordanian Dinar	399,033	399,590
Islamic Corporation for the Private Sector Development	USD	1,847,124	1,674,655
Contribution in Asian Development Bank to invest in infrastructure	USD	13,563,398	10,127,290
		375,051,125	358,063,288

- The contributions in international and regional financial institutions were measured at fair value through other comprehensive income. The international financial contribution assessment reserve has a profit of JD 136,893,766 as of December 31, 2018 (profit of JD 128,563,301 as at 31 December 2017).

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- The latest audited and issued financial statements were obtained to measure the fair value of these contributions using the equity method.
- The effect of changes in foreign currencies exchange rate amounted to JD 3,806,108 loss for the year ended December 31, 2018, and this amount was transferred to gold and foreign currencies valuation differences (JD 9,090,397 gain for the year ended December 31, 2017).

11- Other Assets - Foreign Currencies

This item represents accrued interests and revenues on current accounts, foreign deposits and foreign financial securities.

12- Financial Securities and Other

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Bond issued from the Ministry of Finance to the order of the Central Bank of Jordan (a)	271,705,032	271,705,032
Bond from the Ministry of Finance / agreement memo for the year 2008 (b)	-	80,000,000
Bond of the Jordan Mortgage Refinance Company (c)	32,275,411	32,275,411
General institution bonds (d)	52,400,000	55,276,000
Jordanian treasury bonds (d)	16,000,000	31,000,000
Saving bonds to individuals (d)	17,311,100	8,070,000
Credit granted to Jordanian government (e)	20,563,120	20,563,120
	410,254,663	498,889,563
Less: Provision for expected credit losses	(253,040)	-
	410,001,623	498,889,563

All of financial securities and others account balances are classified in stage 1 according to IFRS (9) requirements, in addition there is no transition between stages (stage 1,2,3) or written off balances during year ended December 31, 2018, The Bank has taken expected credit loss provision against the Jordan Mortgage Refinance Company's bond and has not taken any expected credit loss provisions on the rest of the financial assets to be considered guaranteed to the Central Bank and / or guaranteed by the Government of Jordan, including the Government's extraordinary advance and the advance against tranche reserve.

- a. In accordance with the Economic Security Committee's Resolution No. (8/91) dated June 13, 1991, enacted as Law and incorporated in the Law of the Protection of the National Economy for the Year 1992, a bond of JD 390 million with no maturity date was issued by the Ministry of Finance to the order of the Central Bank of Jordan. The purpose of the bond was to settle exceptional advances granted to the Treasury in accordance with the previous resolutions of the Economic Security Committee. Furthermore, the same resolution stipulates that these exceptional advances are non-interest bearing as of the resolution date and considering these assets to cover the currency issued based on article (31) of Central Bank of Jordan law. The amount stated as of the end of the year 2018 represents the unsettled balance and there is no impairment in its fair value due to the non-existences of maturity date for the bond, where the Bank is entitled to request a repayment at any time.

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- b. According to the Prime Ministry's letter number DEA/21784 dated December 9, 2007 that includes an approval on signing the Memorandum of Understanding (MOU) between the Ministry of Finance and the Central Bank of Jordan, the MOU has been signed on March 31, 2008 for the purpose of reconciling the Treasury main overdraft account balance. Moreover, the Ministry of Finance issued twenty equal non-interest-bearing bonds amounting to JD 40 million each, to the order of the Central Bank of Jordan, with a total amount of JD 800 million last bond payment matured during 2018 and paid to Central Bank of Jordan.
- c. The Council of Ministers approved an offer submitted by a major shareholder of the Jordan Commercial Bank (previously Jordan Gulf Bank). The offer includes some terms related to the exceptional credit facilities granted by the Central Bank of Jordan to Jordan Gulf Bank with a balance of JD 40,275,411 such as:
- The credit facilities agreement was amended by extending its maturity date to (30) years.
 - The Jordan Gulf Bank pays the present value of the bond issued to the order of the Central Bank of Jordan of JD 9 million, on the basis of the discount rate of 5.1219%. The bond has been transferred to the Jordan Mortgage Refinance Company, whereby the mentioned Company pays the nominal value of JD 40,275,411 of the bond after 30 years in a single payment. Moreover, the present value of the bond amounts to JD 17,716,653 as of December 31, 2018 (JD 16,391,899 as of December 31, 2017).
 - According to the debt transfer agreement signed on December 30, 2004, the debt bond issued to the Central Bank of Jordan by the Commercial Bank of Jordan (formerly the Jordan Gulf Bank) was transferred to the Jordanian Mortgage Refinance Company so that the Jordan Mortgage Refinance Company is obliged to pay The facility shall be paid at the end of 30 years from the date of the issuance of the bond to the Central Bank of Jordan, bearing in mind that it is entitled to an annual interest of 5.1219%. The bond and interest shall be due on June 7, 2035. The bank has recorded an amount of 8,000,000 JDs as of December 31, 2018 and 2017 regarding present value impairment.

Accounts balances for The Jordan Mortgage Refinance Company. bond as of December 31, 2018:

Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance	32,275,411	-	-	32,275,411
Debit transactions during the year	-	-	-	-
Credit transactions during the year	-	-	-	-
Ending Balance	32,275,411	-	-	32,275,411

Provision for expected credit losses for The Jordan Mortgage Refinance Company. bond balances:

Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance after the application of IFRS (9)	240,715	-	-	240,715
Increase in credit losses during the year	12,325	-	-	12,325
Ending Balance	253,040	-	-	253,040

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- d. According to articles No. (39), (48) and (49) of the Central Bank of Jordan Law, the Bank purchased governmental financial securities as follows:
- Bonds of public institutions with a maturity from March 22, 2022 to April 26, 2022 with interest ranging from 5.449% to 5.650%.
 - Jordanian treasury bonds with ranging maturity between January 19, 2019 to March 9, 2023 with interest rate ranging between 3.347% and 5.073%.
 - Savings bonds to individuals purchased from individuals want to liquidate their bonds, the maturity of these bonds is within July 3, 2021 to December 29, 2022 the interest rate 4.25%.
 - There were no provision booked on financial securities (public institutions bonds, Jordanian treasury bonds, individual saving bonds) and others in local currency because it had been considered as secured/ guaranteed from the government which the PD is zero, included the exceptional advance to the government and advances granted to the Government against withdrawal of the tranche reserve.
- e. This item represents advances granted to the Government amounting to JD 20,563,120, against the withdrawal of the tranche reserve from the International Monetary Fund.

13- Advances Granted to Local Banks' and Financial institutions

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Advances to commercial banks under liquidation – net (a)	99,719,519	142,943,085
Advances to banks and specialized credit institutions (b)	221,217,822	161,074,232
Advances to local commercial banks (c)	203,148,879	178,764,197
Investment agency with Islamic banks (d)	41,912,496	29,024,312
Investment deposits with Islamic banks (e)	21,357,726	-
	587,356,442	511,805,826

- a- The above items include advances to commercial banks under liquidation, granted in accordance with the Economic Security Committee's (ESC) resolutions, which were enacted as law and incorporated in the Law of the Protection of the National Economy for the Year 1992. They also include other advances and facilities granted in accordance with management's resolutions. The details are as follows:

	December 31,		Resolution No.
	2018	2017	
	JD	JD	
<u>Advances to Banks under Liquidation:</u>			
Petra Bank*	213,055,408	213,573,612	2/90,13/89,20/89, 90/4
National Islamic Bank **	(151)	(151)	2000/371,91/2,20/88
Amman Investment Bank / under liquidation	(5,795)	(15,553)	
Total Advances to Banks under Liquidation	213,049,462	213,557,908	
<u>Advances to Other Institutions and Banks:</u>			
Credit facilities to Philadelphia Bank Customers – Net ***	26,997,823	29,520,943	1/2005
Jordan Cooperative Society ****	766,195	958,195	8683/1/11/63
Total Advances granted to other Institutions and Banks	27,764,018	30,479,138	
Total advances for banks under liquidations	240,813,480	244,037,046	
<u>Less: Provision for expected credit losses/ Petra bank*</u>	(141,093,961)	(101,093,961)	
	99,719,519	142,943,085	

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- * In accordance with the Economic Security Committee's Resolution No. (4/90) dated July 15, 1990, enacted as law and incorporated in the Law of the Protection of the National Economy for the Year 1992, it was decided to liquidate Petra Bank and appoint the Central Bank of Jordan (represented by the Governor of Central Bank of Jordan), as liquidator as of July 21, 1990, which is the date in which the ongoing liquidation process started. The decision of ministry's council number (10868) dated April 18, 2018 approved to transfere lequidation process from Central Bank of Jordan to the Ministry of Finance. In accordance with resolution No. (5/2019) dated on January 21, 2019 of the Board of Directors of the Bank, the liquidation of Petra Bank has been extended to January 31, 2019. The amount is considered a debt payable to the Central Bank of Jordan by Petra Bank in accordance with the Economic Security Committee's Resolution No. (2/90) dated July 10, 1990, enacted as law and incorporated in the Law of the Protection of the National Economy for the Year 1992. Moreover, there are deposits transferred from Petra Bank to the Central Bank of Jordan not paid yet estimated at JD 423,229 as of December 31, 2018.

The movement on the provision for expected credit losses / Petra Bank was represented as follows:

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Balance at the beginning of the year	101,093,961	78,593,961
Provision for doubtful debt	-	22,500,000
Expected credit losses	40,000,000	-
Balance at the Ending of the Year	141,093,961	101,093,961

- ** In accordance with the Economic Security Committee's Resolution No. (2/91) dated February 28, 1991, it was resolved to liquidate the National Islamic Bank. In accordance with the Central Bank of Jordan Governor's Resolution No. (371/2000) dated August 7, 2000. The resolution provided a mechanism to transfer all the liquidation debts to the Ministry of Finance (as liquidator), which is to be responsible for collecting the debts and effecting the required settlements with customers.

- *** This item represents credit facilities provided by the Central Bank of Jordan for handling the deficit in the assets of Philadelphia Bank of which the majority relates to the credit facilities granted to the customers of Philadelphia Bank. According to the resolution of the Central Bank of Jordan Board of Directors No. (1/2005) dated January 12, 2005, it was agreed to merge Philadelphia Bank with the Jordan Ahli Bank during the year 2005. The collected amounts are placed in intermediate accounts at commercial banks which in turn transfer these collections to the Central Bank of Jordan. Moreover, an amount of JD 41,782,315 was transferred to the Central Bank of Jordan up to the year 2018, and offset against the credit facilities balance of Philadelphia Bank customers, however in 2018 some of the treasury bonds that are included in the banks' portfolio has been allocated with the amount of JD 41 million from the balance of those collections.

- **** This item represents the advance granted to the Jordan Cooperative Organization amounting to JD 766,195 as of December 31, 2018 and matures in 2022, which the balance is paid on 5 years according to cabinet decision 8683/1/11/63 on February 28, 2017.

The movement on advances to banks under liquidation balance as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	-	-	244,037,046	244,037,046
Debit transactions during the year	-	-	41,069	41,069
Credit transactions during the year	-	-	(3,264,635)	(3,264,635)
Ending Balance	-	-	240,813,480	240,813,480

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The movement on provision on advances to banks under liquidation / Petra Bank as follows:

Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance after the application of IFRS (9)	-	-	101,093,961	101,093,961
Increase in credit losses at the end of the year	-	-	40,000,000	40,000,000
Recovery from expected credit loss at the end of the year	-	-	-	-
Ending Balance	-	-	141,093,961	141,093,961

b- The details of the advances granted to banks and specialized credit institutions are as follows:

<i>Jordanian Dinar</i>	<u>December 31,</u>		<u>Interest</u>	<u>Maturity</u>	<u>Payment</u>
	<u>2018</u>	<u>2017</u>	<u>Rate</u>	<u>Date</u>	<u>Method</u>
Agricultural Credit Corporation	59,979,345	49,835,755	0.5% -1.5%	December 11, 2022	On the maturity date of the guarantees
Jordan Company for loan guarantee *	11,239,200	11,239,200	Interest free	May 24, 2021	Single payment on the maturity date
Jordan Company for loan guarantee/Exports**	99,999,277	99,999,277	2%	March 29, 2027	On maturity date
Jordan Company for loan guarantee ***	50,000,000	-	2%	May 13, 2028	Single payment on the maturity date
	221,217,822	161,074,232			

* In accordance to the loan agreement between the Central Bank and the Jordanian Company for Loan Guarantee dated March 8,2016 and the recommendation of the credit No. (65/2016) dated March 14, 2016 the Bank decides to grant the Company with a loan of in the amount of JD (15,300,000) fully repaid under a single payment on May 24, 2021. Moreover, this loan will be utilized by an amount of JD (10,300,000) microfinance emerging loans program with the of guarantee Jordanian treasury bonds in a percentage 90% of the same value in addition to an amount of JD (5,000,000) exclusively to contribute in the funding of small business programs with the guarantee of Islamic sukuk in a percentage 90% in the same value the utilized of balance of this advance amounted to JD (11,239,200) as of December 31, 2018.

**According to loan agreement between Central Bank of Jordan and Jordanian company for loans guarantees on March, 12, 2017 with regard Exports guarantee program which states that the Central Bank of Jordan grants the Jordanian Company for loans guarantee a 100Million JOD advance with 2% interest rate matures in ten years, which the total amount of the advance will be utilized for purchasing governmental financial securities for the company benefits and all securities will be as a mortgage for the banks benefit and the company will use the return from securities in the benefit of Exports insurance guarantee program, the amount utilized from the loan as of December 31, 2018 and 2017 is (99,999,277).

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***According to loan agreement between Central Bank of Jordan and the Jordanian Company for Loan Guarantee dated March 26, 2018 regarding loans guarantee program for small emerging projects which states that Central Bank of Jordan grants Jordanian Company for Loan Guarantee (50) million JDs at a rate of 2% for a period of 10 years, which the balance will be used to purchase government securities for the Company's benefit and all securities will be mortgaged to the benefit of Central Bank, and the Company will use the return on investment of financial securities to finance small emerging projects loans guarantee program, the utilized balance of this loan is 50,000,000 JD as of December 31, 2018.

The movement on advances granted to banks and specialized credit institutions balance as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	161,074,232	-	-	161,074,232
Debit transactions during the year	66,353,300	-	-	66,353,300
Credit transactions during the year	(6,209,710)	-	-	(6,209,710)
Ending Balance	221,217,822	-	-	221,217,822

No provision against expected credit losses on advances granted to banks and specialized credit institutions balance had booked as of January 1st, 2018 and December 31, 2018.

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c- This amount represents advances granted from the Central Bank of Jordan to licensed banks working in Jordan within the program of midum-sized financing to industrial sector according to the licensed banks memorandum No. (54/2011) dated on March 14, 2011 and the circulate for licensed banks which includes the extension of the program as shown below:

Licensed Banks	December 31,		Expected Return	Maturity Date	Payment Method
	2018	2017			
	JD	JD			
Cairo Amman Bank	31,480,525	28,180,938	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Societe General Bank - Jordan	11,055,906	5,394,453	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Jordan Commercial Bank	9,551,595	10,177,917	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Arab Bank	45,019,514	35,128,421	1 %- 1,75%	Less than 10 years	According to the conditions for granting advances
Bank of Jordan	4,552,517	2,526,826	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Jordan Kuwait Bank	13,015,620	9,129,619	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Housing Bank	10,015,380	4,598,526	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Jordan Ahli Bank	17,781,041	16,574,769	1 %- 2,00%	Less than 10 years	According to the conditions for granting advances
National Bank of Kuwait – Jordan	128,000	304,000	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Bank al Etihad	29,281,109	30,797,246	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
ABC Bank	34,830	5,000,000	1 %- 2,00%	Less than 10 years	According to the conditions for granting advances
Capital Bank	29,260,320	29,307,426	1 %- 2,25%	Less than 10 years	According to the conditions for granting advances
Investing Bank	1,190,962	1,482,634	1 %- 1,75%	Less than 10 years	According to the conditions for granting advances
Arab Investing Bank	781,560	161,422	1 %- 1,75%	Less than 10 years	According to the conditions for granting advances
Total	203,148,879	178,764,197			

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The movement on advances granted to local commercial banks balance as of December 31, 2018:

Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance	178,764,197	-	-	178,764,197
Debit transactions during the year	109,364,989	-	-	109,364,989
Credit transactions during the year	(84,980,307)	-	-	(84,980,307)
Ending balance	203,148,879	-	-	203,148,879

No provision against expected credit losses on advances granted to local commercial banks' balance had booked as of January 1st, 2018 and Dec 31, 2018 given the fact that those financial assets have guarantees that fully covered the advances.

- d- This amount represent funding granted from the Central Bank of Jordan to Islamic Banks in Jordan under investment agency that restricted with Islamic Banks, according to circular No. (3/7487) dated on June 17, 2015, which includes the extension details as shown below:

<u>Islamic Licensed Banks</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Expected Return</u>	<u>Maturity Date</u>	<u>Payment method</u>
	JD	JD	%		
Investment Agency/ Islamic International Arab Bank	21,021,130	15,618,445	1 %- 1,75%	Less than 10 years	According to financing conditions
Investment Agency/ Jordan Islamic Bank	12,310,176	9,024,675	1 %- 1,75%	Less than 10 years	According to financing conditions
Investment Agency/ Safwa Islamic Bank	8,191,191	4,020,568	1 %- 1,75%	Less than 10 years	According to financing conditions
Investment Agency/ Alrajih Bank	389,999	360,624	1 %- 1,75%	Less than 10 years	According to financing conditions
Total	41,912,496	29,024,312			

The movement on investment agency with Islamic banks (advances granted to customers) as of December 31, 2018:

Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance	29,024,312	-	-	29,024,312
Debit transactions during the year	25,317,498	-	-	25,317,498
Credit transactions during the year	(12,429,314)	-	-	(12,429,314)
Ending balance	41,912,496	-	-	41,912,496

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The movement on provision on investment agency with Islamic banks (advances granted to customers):
Jordanian Dinar

<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance after the application of IFRS (9)	202,778	-	-	202,778
Increase in credit losses at the end of the year	-	-	-	-
Recovery from expected credit loss at the end of the year	(202,778)	-	-	(202,778)
Ending balance	-	-	-	-

e- This item represents the finance granted from Central Bank to Islamic banks in the kingdom within investment agreements signed with them in order to utilize the Central Bank program to finance the economic sectors, according to the details below:

<u>Islamic licensed banks / investment agreement</u>	<u>December 31</u>		<u>Expected Return</u>	<u>Maturity Date</u>	<u>Payment method</u>
<i>Jordanian Dinar</i>	<u>2018</u>	<u>2017</u>	%		
Investment deposit (saving) at Islamic International Arab Bank	2,064,406	-	1%	Less than 10 years	According to financing conditions
Investment deposit (saving) at Jordan Islamic Bank	6,587,939	-	1%	Less than 10 years	According to financing conditions
Investment deposit (time) at Islamic International Arab Bank	8,085,501	-	1.75%	Less than 10 years	According to financing conditions
Investment deposit (notice) at Jordan Islamic Bank	4,353,361	-	1.75%	Less than 10 years	According to financing conditions
Investment deposit (inside Amman) at Safwa Islamic Bank	239,320	-	1.75%	Less than 10 years	According to financing conditions
Investment deposit (outside Amman) at Safwa Islamic Bank	27,200	-	1%	Less than 10 years	According to financing conditions
Total	21,357,727	-			

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- The movement on investment deposits with Islamic banks as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	-	-	-	-
Debit transitions during the year	22,738,745	-	-	22,738,745
Credit transitions during the year	(1,381,081)	-	-	(1,381,081)
Ending balance	21,357,727	-	-	21,357,727

No provision booked against expected credit losses on investment deposits with Islamic banks as of January 1st, 2018 and December 31, 2018 given the fact that those financial assets have guarantees that fully covered the advances.

14- Financial Assets in Local Currency at Fair Value Through Other Comprehensive Income

This item consists of the Bank's contribution in Local Financial Institutions as the following:

	December 31,	
	2018	2017
	JD	JD
Agricultural Credit Corporation	1,257,025	983,809
Cities and Villages Development Bank	2,158,820	1,163,177
Jordan Loan Guarantee Corporation	6,036,235	6,298,680
Jordan Mortgage Refinance Company	2,700,000	2,700,000
Jordan Company for payment and clearing Systems	4,523,311	4,050,000
Jordan Fund for Entrepreneurship	13,638,297	34,692
	30,313,688	15,230,358

- The contributions in local financial institutions were measured at fair value through other comprehensive income according to IFRS (9) - Financial Instruments. The contribution fair value reserve amounted to a loss of JD 4,496,859 as at 31 December 2018 (loss of JD 4,626,585 as of 31 December 2017).
- The latest audited and issued financial statements were used to calculate the fair value of the contributions using the equity method for each of the Agricultural Credit Corporation and Cities and Villages Development Bank Jordan Payment and Clearing Company and Innovative Startups and SMEs Fund. Whereas the fair value has been calculated in accordance with the local share price as of December 31, 2018 for each of Jordan Loan Guarantee Corporation and Jordan Mortgage Refinance Company. Moreover, the Central Bank of Jordan does not have any control on these institutions.

15- Financing of Financial Securities Repurchase Agreements

According to articles No. (39) And (49) of the Central Bank of Jordan Law No. (23) for the year 1971 and its amendments, and according to amended law No (24) for 2016, the Bank has the right to repurchase the balances of the governmental financial securities guaranteed from the Government, repurchases amounted to (214) Million JOD, as of Dec 31, 2018 (84) Million matures in January 2, 2019 and (50) Million matures in February 6, 2019, and 80 Million matures on January 7, 2019 in case the balance of repurchase agreements was (25) Million JOD, as of Dec 31, 2017.

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The Bank has not taken any provisions on the repurchase agreements used by the Central Bank for the purpose of injecting liquidity since these agreements are considered 100% guaranteed for the Central Bank. The sole owner of securities during the period of the contract is the Central Bank of Jordan and has the right to dispose of them because of the transfer of ownership from Commercial Bank to Central Bank of Jordan.

- The movement on provision on repurchase agreements as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	25,000,000	-	-	25,000,000
Debit transactions during the year	4,790,000,000	-	-	4,790,000,000
Credit transitions during the year	(4,601,000,000)	-	-	(4,601,000,000)
Ending balance	214,000,000	-	-	214,000,000

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16- Property, Equipment and Software

This item consists of the following:

	Land	Buildings	Buildings Improvements	Furniture, Fixtures and Decorations	Vaults and Safe Boxes	Computer Hardware	Machinery and Equipment	Vehicles	Computer Software	Total
<u>December 31, 2018</u>	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost										
Balance - beginning of the year	593,979	13,584,403	4,145,346	977,181	197,191	5,949,153	8,696,972	1,588,005	4,492,709	40,224,939
Additions	2,450,000	-	1,113,795	52,015	35,748	1,643,577	758,964	-	1,596,696	7,650,795
Disposals	-	-	-	(12,036)	(1,944)	(203,875)	(42,573)	-	(476,961)	(737,389)
Ending Balance	3,043,979	13,584,403	5,259,141	1,017,160	230,995	7,388,855	9,413,363	1,588,005	5,612,444	47,138,345
<u>Accumulated Depreciation</u>										
Balance - beginning of the year	-	10,013,750	1,491,353	813,933	115,084	5,030,225	5,444,081	1,258,024	3,264,582	27,431,032
Additions	-	320,307	106,078	26,347	10,968	578,397	1,038,950	81,998	675,719	2,838,764
Disposals	-	-	-	(9,592)	(1,548)	(195,901)	(32,665)	-	(5,162)	(244,868)
Ending Balance	-	10,334,057	1,597,431	830,688	124,504	5,412,721	6,450,366	1,340,022	3,935,139	30,024,928
Net Book Value as of										
December 31, 2018	3,043,979	3,250,346	3,661,710	186,472	106,491	1,976,134	2,962,997	247,983	1,677,305	17,113,417
<u>Year 2017</u>										
Cost										
Balance - beginning of the year	593,979	13,584,403	3,170,723	986,998	194,640	5,811,529	8,387,520	1,511,008	3,736,066	37,976,866
Additions	-	-	974,623	45,113	4,833	402,660	481,197	105,497	756,643	2,770,566
Disposals	-	-	-	(54,930)	(2,282)	(265,036)	(171,745)	(28,500)	-	(522,493)
Ending Balance	593,979	13,584,403	4,145,346	977,181	197,191	5,949,153	8,696,972	1,588,005	4,492,709	40,224,939
<u>Accumulated Depreciation</u>										
Balance - beginning of the year	-	9,640,622	1,420,722	844,780	106,806	4,656,377	4,676,578	1,217,878	2,779,783	25,343,546
Additions	-	373,128	70,631	22,745	8,758	638,624	936,074	68,646	484,799	2,603,405
Disposals	-	-	-	(53,592)	(480)	(264,776)	(168,571)	(28,500)	-	(515,919)
Ending Balance	-	10,013,750	1,491,353	813,933	115,084	5,030,225	5,444,081	1,258,024	3,264,582	27,431,032
Net Book Value as of										
December 31, 2017	593,979	3,570,653	2,653,993	163,248	82,107	918,928	3,252,891	329,981	1,228,127	12,793,907

- The fully depreciated property and equipment amounted to JD 16,344,278 as of December 31, 2018 (JD 12,024,327 as of December 31, 2017).

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17- Other Assets - Jordanian Dinar

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Accrued interest and revenue	3,343,745	2,304,175
Housing loans for employees – net*	23,783,058	23,193,009
Gold, silver and metal coins	7,084,388	7,246,028
Deferred expenses - printing of bank notes and metal coins – net **	819,908	2,865,726
Others	3,848,057	5,245,645
	38,879,156	40,854,583
Less: Expected credit losses	(119,358)	-
	38,759,798	40,854,583

- * All balances of loan balances and housing finance granted to employees of Central Bank are classified in stage 1 in accordance with the requirements of IFRS (9), and there are no transfers between the (first, second and third credit stages) nor written off balances during the year ended 31 December 2018. The Bank has taken a provision on the total loan portfolio by 0.5% to meet any risks that may arise as a result of default or failure to pay their installments. The market value of the collateral against these loans is much higher than the carrying value. The existence of insurance on the lives of employees and insurance on the property of earthquakes, fires and floods and the existence of a written pledge of employees to pay the premiums and deducted directly from the salaries transferred to him, and the movement of each balance of loans and housing financing granted to employees of the bank and the provision of credit losses expected to balances these accounts in stages Classification according to the internal banking system:

The balance of housing loans and housing finance as of December 31, 2018:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance	23,193,009	-	-	23,193,009
Debit transactions during the year	2,073,435	-	-	2,073,435
Credit transactions during the year	(1,483,386)	-	-	(1,483,386)
Ending Balance	23,783,058	-	-	23,783,058

Expected credit losses provision for housing loans and housing finance:

Jordanian Dinar

<i>Item</i>	Stage 1	Stage 2	Stage 3	Total
Beginning balance after the application of IFRS (9)	116,072	-	-	116,072
Increase in credit losses at the end of the year	3,286	-	-	3,286
Recovery from expected credit loss at the end of the year	-	-	-	-
Ending balance	119,358	-	-	119,358

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** Deferred expenses relating to the printing of bank notes and metal coins are stated at net value after the deduction of accumulated amortization.

18- Gold and Foreign Currencies Valuation Differences

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Beginning balance of gold and foreign currencies valuation differences	(91,094,621)	(223,774,213)
Gains (Loss) from valuation of gold and foreign currencies transferred according to the Central Bank's Law *	(36,266,093)	132,679,592
Ending Balance of Gold and Foreign Currencies Valuation Differences	(127,360,714)	(91,094,621)

* According to Article (56/a) of the Bank's Law No.(23) for the Year 1971 and its amendments and the amended law No(24) 2016 any gains or losses raised from the revaluation of the Bank's gold or foreign currencies (Assets and Liabilities) are excluded from the profit and loss account and are recorded to a special account, as a result of a change in the equivalent price in any foreign currency. The differences in the valuation of gold and foreign currencies as of year-end are transferred to gold and foreign currencies valuation differences account as follows:

<i>Jordanian Dinar</i>	2018	2017
(Debit) credit differences resulting from valuation of Bank's contributions in the international and regional financial institutions in foreign currencies (a)	(3,806,108)	9,090,397
(Debit) credit differences resulting from the valuation of Bank's assets and liabilities in foreign currencies (a)	7,206,743	(5,479,241)
(Debit) Credit valuation differences resulted from valuation of SDR currency related to (IMF/EFF) loan (a)	(4,892,550)	1,506,498
(Debit) differences resulted from valuation of foreign trade systems foreign currencies	(48)	-
(Debit) Credit differences resulting from gold valuation (b)	(34,607,906)	126,918,006
(Debit) Credit differences resulted from gold coins valuation (b)	(166,212)	643,932
(Debit) differences resulted from gold valuation in ounces and gold and silver coins (b)	(12)	-
Total Valuation Differences of Gold and Foreign Currencies During the Year	(36,266,093)	132,679,592

a. The movement on the foreign currencies valuation is as follows:

<i>Jordanian Dinar</i>	2018	2017
Beginning balance of the valuation differences of foreign currencies	(379,043,383)	(384,161,037)
Credit (Debit) differences resulting from valuation of Bank's contributions in the international and regional financial institutions in foreign currencies	(3,806,108)	9,090,397
Credit (Debit) differences resulting from the valuation of Bank's asset and liabilities in foreign currencies	7,206,743	(5,479,241)
Valuation differences resulted from valuation of SDR currency related to (IMF/EFF) loan	(4,892,550)	1,506,498
(Debit) differences resulted from valuation of foreign trade systems foreign currencies	(48)	-
Ending Balance of the Valuation Differences of Foreign Currencies	(380,535,346)	(379,043,383)

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b. The movement on the gold valuation is as follows:

<i>Jordanian Dinar</i>	<u>2018</u>	<u>2017</u>
Beginning balance of valuation differences of gold	287,948,762	160,386,824
(Debit) credit gold valuation difference	(34,607,906)	126,918,006
(Debit) credit Gold coins valuation difference *	(166,212)	643,932
(Debit) differences resulted from gold valuation in ounces and gold and silver coins	(12)	-
Valuation Differences of Gold – Ending Balance	<u>253,174,632</u>	<u>287,948,762</u>

* The valuation of the memorial gold coins which appear in other assets in Jordanian Dinar- Note (17) and the reliance of the international prices in the market are done when the Central Bank of Jordan valuation bulletin is made at the last working day of the year.

19- Currency Issued

- This item represents the currency issued by the Central Bank of Jordan and in circulation outside the Central Bank's treasury, representing a liability on the Central Bank of Jordan.
- According to the Bank's Law, the Central Bank shall maintain assets the value of which at any time shall not be less than the Value of the notes and coins in circulation. Such assets shall consist of all or any of the following:
 - a) Gold and gold coins in any form;
 - b) The Kingdom's contribution to any regional or international financial institution paid in gold or convertible foreign currencies;
 - c) The Kingdom's holdings in Special Drawing Rights;
 - d) Convertible foreign currencies in the form of cash, demand or time deposits, certificates of deposit, or bank acceptances provided that their maturities do not exceed two years;
 - e) Financial papers issued or guaranteed by a foreign government or any of its official institutions, or by an international financial institution, made in a convertible currency;
 - f) Any foreign currency assets including credit balances in favour of the Kingdom under payments and setoff agreements; and
 - g) Negotiable Government securities.

After the elapse of the grace period specified by the Council of Ministers for the replacement of the cancelled currency, the value of the bank notes and coins not replaced is credited to the Treasury account at the Central Bank of Jordan. If the Bank notes and coins are presented afterwards, the Central Bank of Jordan pays them and charges their value to the Treasury account. The Council of Ministers has the right to determine the period it deems appropriate in order to stop the payment of those notes and coins based on a recommendation by the Central Bank of Jordan.

20 - Obligations Against Special Drawing Rights

This item represents the Bank's liability in connection with Jordan's share of the Special Drawing Rights allocations at the International Monetary Fund of SDRs 162,070,636 as of December 31, 2018 and 2017. According to the average exchange rate of the Jordanian Dinar against SDRs, this liability amounted to JD 159,812,992 as of December 31, 2018 (JD 163,643,532 as of December 31, 2017). This amount is a long-term liability to be repaid by the Government in the future upon request.

21 - Certificates of Deposits

This item represents ordinary certificate of deposits that were issued to local banks in the year 2018 and their interest rates was in the beginning of 2018 (4%), and adjusted to (4.75%) at the date of statement of financial position.

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22 - Governments Deposits

This item represents government accounts within budgets, with interest rate ranging from 1.70% to 3.40%. Most of the balances in foreign currency do not receive any interest while these balances do not have specified maturity dates.

23 - International Monetary Fund Accounts

This item represents the bank account in International Monetary Fund. These balances do not have specified maturity dates and do not receive any interest.

24 - Other Liabilities in Jordanian Currency

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Unpaid accrued interest	11,376,202	5,054,404
Deposits on documentary credits	21,472,000	15,016,316
Other deposit accounts	58,009,014	51,924,620
Other liabilities	939,820	453,939
	91,797,036	72,449,279

25 - General Reserve

The reserve for the year amounted to JD 1,878,264 which was made according to the Central Bank of Jordan law No. (9/a) which states that the Central Bank of Jordan must maintain a general reserve at 20% of its net profit in each fiscal year, according to the provisions of Article (9/c) the net profit of the Bank decides, after deducting all payments and administrative expenses and contributions to private provident fund staff of Central Bank and its users, and any special provisions for other unexpected expenses or to meet any shortage of Bank assets.

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26 - Financial Assets Revaluation Reserve

This item consists of the following:

<i>Jordanian Dinar</i>	December 31,	
	2018	2017
Special reserves balance for valuation of the financial assets at the beginning of the year	123,936,716	122,385,393
Gains from valuation of the contributions in the regional and foreign financial institutions	8,330,466	5,917,828
(Losses) Gains from valuation of the contributions in the local financial institutions	(1,009,181)	(4,522,505)
Gain (loss) Sale of financial assets at fair value through comprehensive income losses	-	156,000
Gain on increase treatment in the banks' local contributions	1,138,906	-
Balance at Year-End	132,396,907	123,936,716

27 - Special Reserve

This item consists of the following:

Jordanian Dinar

	December 31,	
	2018	2017
Beginning balance for the special reserve	151,155,642	113,228,677
The effect of applying international financial reporting standard (9)**	(2,053,519)	-
Adjusted beginning balance	149,102,123	113,228,677
Transferred from Gains (Loss) for the year as per the Bank's law to the special reserves *	37,377,110	37,926,965
Ending Balance for the Special Reserve	186,479,233	151,155,642

* According to the Bank's Law, article (9/c) of the Central Bank of Jordan's Law No. (23) For the year 1971 Realized gains are transferred to the special reserves.

** In addition, expected credit losses on financial securities during the year had been recorded in special reserves item in order to apply IFRS (9) on the beginning balance for the year 2018.

28 - Revenue from Foreign Investments

This item consists of the following:

<i>Jordanian Dinar</i>	For the Year Ended	
	2018	2017
Interest received on time deposits, current and call accounts with correspondents	101,330,641	58,878,184
Interest on foreign bonds	75,053,938	59,087,706
Income on foreign bonds realization	870,306	1,079,893
Income from dealing with gold	23,445,344	32,834,566
Income realized on foreign currency trading	367,073	675,385
Income on commercial papers	7,787,444	3,747,838
Fees of accounts management of our correspondents abroad	331,596	413,287
	209,186,342	156,716,859

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29 - Revenues from Local Investments

This item consists of the following:

	For the Year Ended	
	2018	2017
	JD	JD
Interest on advances granted to specialized credit institutions and licensed banks	6,241,097	4,507,163
Income from swap contracts	2,371,519	2,412,367
Income from forward contracts	624,857	-
Interest on Jordanian treasury bonds	93,555	58,477
Interest on general institutions' bonds	2,454,218	4,486,292
Interest on individuals savings bonds	558,222	185,731
Income from contribution in local institutions	171,000	117,000
Income from repurchase of financial securities (repo)	6,221,384	3,299,541
Income from payment systems	79,082	144,011
	18,814,934	15,210,582

30 - Expected Credit Losses

This item consists of the following:

	For the Year Ended	
	2018	2017
	JD	JD
(Recovery) from gold expected credit losses	(2,473)	-
(Recovery) from deposits and balances expected credit losses	(1,709)	-
(Recovery) from foreign financial securities at amortized cost expected credit losses	(71,714)	-
Expected credit losses on financial securities and others	12,325	-
Expected credit losses on advances granted to banks and financial institutions	39,797,222	-
Expected credit losses on other assets in JD	3,286	-
	39,736,937	-

31 - Other Revenues

This item consists of the following:

	For the Year Ended	
	2018	2017
	JD	JD
Annual fees from banks, and license fees from banks, financial corporations and representative offices	4,297,811	4,243,365
Exchange dealers annual license fees	469,700	494,106
Income from sale of available for sale issuances	48,011	67,639
Net interest on housing loans	104,814	135,778
Commissions collected from customers	95,995	95,811
Revenue from the finance of housing	370,813	351,428
Other revenue	272,505	4,825,042
	5,659,649	10,213,169

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32 - Interest Paid on Certificates of Deposits and Licensed Banks' Overnight Window Deposits

This item consists of the following:

	For the year Ended	
	2018	2017
	JD	JD
Interest paid on certificates of deposits – JD	25,549,315	25,441,494
Interest paid on overnight deposits	55,890,459	36,855,678
	81,439,774	62,297,172

33 - Other Interest, Commissions and Expenses

This item consists of the following:

	For the year Ended	
	2018	2017
	JD	JD
Bank accounts expenses at IMF.	4,959,668	3,987,924
Commissions and expenses for managing the Bank's accounts with correspondents	1,111,029	1,207,618
Government transfers expenses	3,288	5,766
Other paid commissions and expenses	2,611	2,692
Interest paid on other accounts	168,393	46,846
	6,244,989	5,250,846

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34 - General and Administrative Expenses

This item consists of the following:

	For the Year Ended	
	2018	2017
	JD	JD
Salaries, Bonuses, Wages and Allowances:		
Salaries, bonuses, wages and allowances	12,805,248	12,056,617
Overtime	886,239	847,506
	13,691,487	12,904,123
Travel, Training and Educational Expenses:		
Travel expenses and allowances	262,414	335,109
Training and educational expenses	705,027	633,318
	967,441	968,427
Other Employees' and Laborer's Benefits:		
Staff and users' insurance premiums	121,823	94,237
Medical treatment expenses	4,233,535	3,992,335
Customer service and users' uniforms	51,430	57,235
Social activities expenses	459,250	264,070
Canteen expenses	8,400	6,000
	4,874,438	4,413,877
Contribution to Employees Saving Fund, Social Security and Staff Indemnity:		
Bank's contribution to employees saving fund	933,481	904,611
Bank's social security contribution	1,403,079	1,351,574
Staff indemnity benefits and leave payments	3,047,281	2,708,657
	5,383,841	4,964,842
Board of Directors' Remuneration	14,400	14,155
Stationery and Printing:		
Stationery and printing	77,038	94,108
Books and subscriptions in newspapers and magazines	127,361	111,301
Subscriptions in scientific and intellectual Institutions	110,555	61,031
	314,954	266,440
Institute of Banking Studies Expenses:	207,503	207,600
Anti-Money Laundry and Counter Terrorist Financing Unit Expenses	1,000,000	1,047,982
Telecommunication Expenses:		
Postage and telephone	102,652	98,413
Subscriptions to Reuter's Agency, SWIFT and internet services	664,550	744,733
	767,202	843,146
Aqaba and Irbid Branches Expenses	859,028	832,297
Maintenance and Repair Banks assets:		
Fuel and vehicles maintenance	144,816	121,328
Furniture, equipment, and computer maintenance	839,276	671,095
	984,092	792,423

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34 - General and Administrative Expenses (continued)

	For the Year Ended	
	2018	2017
	JD	JD
<u>Bank Buildings Expenses:</u>		
Electricity, water and fuel	1,392,438	1,043,685
Security, maintenance and cleaning of the Bank's buildings	530,407	462,002
Rent and rented buildings expenses	12,924	15,617
Insurance of buildings and Bank's assets	37,739	55,122
	1,973,508	1,576,426
Depreciation of Property, Equipment and Software	2,838,764	2,603,405
Other expenses	1,106,953	1,056,987
Total	34,983,611	32,492,130

- The salaries and bonuses of the executive management amounted to JD 531,250 for the year 2018 (JD 500,000 for the year 2017).

35 - Bank Deposits/ Compulsory Cash Reserves

Deposits by banks in foreign currencies and Jordanian Dinar stated under liabilities in the statement of financial position as of December 31, 2018 include compulsory cash reserves as follows:

	December 31,	
	2018	2017
	JD	JD
Jordanian Dinar	1,580,304,964	1,603,694,352
Foreign currencies	566,194,554	514,464,099
	2,146,499,518	2,118,158,451

36 - Financial Instruments Derivatives

- Financial derivatives represent forward sale transactions and swap Contracts recorded through journal entries off the Statement of Financial Position, and they do not have a material impact on the financial statements.
- Forward contracts, represents contracts made by the bank with licensed banks in order to purchase Dinar in exchange of selling USD on exchange date to support the trust of Jordan domestic market in Jordanian Dinar, the balance of forward contracts is 553,447,000 JOD as of Dec 31, 2018 for nine contracts.
- There are swap contracts in Foreign Currencies (US Dollar against Jordanian Dinar) at the Central Bank of Jordan shown off the Statement of Financial Position. They have no impact on the financial statements and amounted to JD 133,631,145 as of December 31, 2018. Moreover, they are represented by two contracts with licensed bank in Jordan amounted to of JD 62,671,863 against the banks' paid up capital and the related reserves, and eight contracts with international financial institution for the amount of JD 70,959,282 against the facilities granted by it for the licensed banks within the agreement of supporting small and medium projects and for local institutions outside the same and medium projects.

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37 - Risk Management

The Central Bank of Jordan manages its various banking risks by different means through adopting a risk management methodology, mitigating risks, and setting up proper controls to restrict the negative impact on the Bank's performance and its reputation. Moreover, the Bank is exposed to the following risks: strategic risks, financial risks, and operating risks.

Management of risks at the Bank is congruent with the volume of its activities, the variety of its operations, and the instructions of the regulatory bodies, as follows:

- The Central Bank of Jordan Law and its approved policies on credit granting and collaterals.
 - Units responsible for risk management and control have been set up such as Risk Management Department, and the Support Office in the Investment and Foreign Operations Department.
 - Risk management strategies and related plans are adopted by specialized committees such as the Investment Committee, and Credit Facilities Committee.
- a. Credit Risk and Application Methodology for IFRS (9)
- Open market operations and public debts:

The credit facilities offered by the Bank are characterized with low risks. This is due to the creditworthiness of customers such as the government, banks, and specialized credit institutions. Moreover, the coverage rate of the offered credit facilities in addition to the nature of these low-risk guarantees leads to limit the exposure to credit risk.

Credit risk consists of two parts: bankruptcy risk and degrading credit rating risk.

- **Bankruptcy Risk:**
 - Setting up a minimum credit rate for the correspondent banks with which the Central Bank of Jordan deals with in the field of the employment of funds in addition to their total assets, capital, and capital adequacy ratio.
 - Establishing a minimum credit rate for issuances subscribed to or invested in.
- **Credit Rating Degradation Risks:**
 - Following up on the conditions of correspondent banks and publications of international credit rating agencies periodically and regularly.
 - Implementing conservative measures for concern of degradation of credit rating through reducing the deposits at these banks:
 - The application of International Financial Reporting Standard (IFRS) 9 has substantially changed the credit loss calculation methodology of the Bank by replacing the once-materialized impairment loss recognition methodology, according to the International Accounting Standard (IAS) 39, with the expected credit loss recognition methodology as of January 1st, 2018.
 - The expected credit losses (ECL) for each of the expected credit losses for the entire lifetime of the credit exposure and expected credit losses by probability of default of credit exposure shall be calculated within 12 months either on an individual basis or on a portfolio basis of the financial instruments based on the nature of financial instruments in the portfolio.

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- All the Bank's debt instruments that carry credit risks shall be subject to the measurement of ECL except for the following-
 - Financials instruments at fair value through profit or loss (FVTPL). This portfolio includes debt instruments (bonds) and equity instruments (shares) which shall be measured at fair value. Moreover, the change in fair value shall be recorded in the statement of profit and loss and these instruments have to be traded in the short term. Besides, debt instruments in this portfolio shall not be subject to the calculation of the ECL.
 - Financial instruments at fair value through other comprehensive income (FVOCI). This portfolio includes debt instruments (bonds) and equity instruments (shares) which shall be measured at fair value. Furthermore, subsequent changes in fair value have to be recorded in the statement of other comprehensive income (under conditions). Debt instruments within this portfolio, though measured at fair value, are also subject to the calculation of ECL.

Accordingly, the Bank has developed a policy to conduct an assessment at the end of each financial period in case of an increase in credit risk of the financial instrument at the date of initial recognition taking into consideration the change in the risk of default over the remaining life of the financial instrument. Therefore, the Bank has implemented a policy showing how the assessment procedures are applied on an individual basis of the financial instrument or on a portfolio basis through the distribution of credit requirements into three stages or levels according to the degree of risk presented therein as follows:-

- Stage (1): which includes debt instruments of low risk and high repayment ability that lack indicators showing that changes in the macroeconomy will negatively affect the probability of collection as reflected by the credit rating of the instrument, in addition to future forecasts both at the level of instrument or economy. Moreover, this stage is characterized, according to the standard, that it calculates the probability of default (PD) for the next 12 months as of the date of each financial statement.
- Stage (2): which includes high risk debt instruments or those instruments that have a significant increase in their credit risk since their initial recognition. (This means that they have become below the investment grade in the absolute term or that they have a decrease in their risk by two degrees on the credit risk scale (in the relative term)). Furthermore, PD is calculated here for the entire lifetime of the asset and not for the next 12 months as in case of the first stage.
- Stage (3): which includes debt instruments that have an objective evidence of an actual impairment (default) and it has become almost certain to have a loss in the credit or great part of it.

Calculation of ECL:

Identification of provisions for impairment of financial assets requires issuance of terms and inferences by the management of the Bank in order to estimate future monetary flows, along with their maturity dates, in addition to estimating any significant increase in the credit risk of financial assets after being initially recognized. Moreover, future measurement information on ECL shall be considered as well.

The Bank shall measure loss provisions by an amount equals to the ECL over the lifetime of financial assets except for the following, where the ECL are measured for 12 months:-

- Gold deposits within gold accounts.
- US dollar term deposits within cash, balances, and deposits accounts
- Securities in foreign currency within accounts of foreign securities at amortized cost.

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The Bank has recognized ECL on each of the following financial assets:

- Foreign securities at amortized cost (in foreign currency).
- Term deposits (in foreign currency).
- Due facilities and payment agreements (in foreign currency).
- Off balance sheet (in foreign currency) which includes letters of credit and swap contracts.
- Securities and others (in JD) which includes Jordanian treasury bonds, public institution bonds, individual saving bonds, bonds issued under extraordinary advances to the government, the reserve segment, and Jordan Mortgage Refinance Company's bond.
- Credit granted to banks and local financial institutions (in JD) including advances granted to commercial and Islamic banks, and the advance of Petra Bank, other banks and financial institutions under liquidation.
- Repurchase agreements (REPOs) (in JD).
- Other assets in local currency (housing loans in JD).

The following table sets out the provision for ECL according to its classification stages for the financial year as of 31st December, 2018:

Item	Stage (1)	Stage (2)	Stage (3)	Total
<i>Jordanian Dinar</i>				
Gold	6,084	-	-	6,084
Cash, balances, and deposits	1,249,953	-	-	1,249,953
Foreign financial securities at amortized cost	162,021	-	-	162,021
Past due facilities and payment agreements	-	-	-	-
Financial securities and others	253,040	-	-	253,040
Advances granted to local banks and financial institutions	-	-	141,093,961	141,093,961
Financing of financial securities repurchase agreements	-	-	-	-
Other assets in Jordanian Dinar	119,358	-	-	119,358
Total	1,790,456	-	141,093,961	142,884,417

The Bank's Internal Credit Rating System and its Working Mechanism

In order to measure the degree of risk pertaining to any credit exposure, the Bank has adopted methods and strategies globally recognized. Three levels of risk were used as follows:-

Level/ stage	Credit rating score	Client score	Average ratio of PD	Level of credit quality
First	Aaa-Baa	1-4	0.98 %	High credit quality with a credit risk score from significantly low to low
Second	Ba-Caa	5-7	8.213 %	Moderate credit quality with a moderate credit risk score
Third	Ca-c	8-10	100 %	Significantly low credit quality with a very high credit risk score

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The Mechanism Adopted to Calculate the ECL on Each item of Financial Instruments Separately.

The definition and mechanism of calculation and monitor of probability of default (PD), exposure at default (EAD), and loss given default (LGD) are explained below:

- **Probability of Default (PD):** It is the percentage of probability of losses or default to pay instalments or obligations to the bank in their due dates. In order to measure the degree of risk pertaining to any credit exposure, the Bank has adopted methods and strategies globally recognized, where it has identified three levels of risk.
- **Loss Given Default (LGD):** It is the percentage representing that part of the exposure which will be lost in the event of default.
- **Expected Credit Losses (ECL):** They are a probability-weighted estimate of credit losses. In this regard, the Bank has measured ECL on financial instruments based on many economic indicators relating to the financial instrument. For instance, when it comes to secured debt instruments for which collaterals are available, the recovery rate at default is calculated; this includes some collaterals provided against some advances granted to the bank customers. As for unsecured debt instruments for which collaterals are not available, the LGD is considered to be (45%) of senior claims, and (75%) of subordinate claims.
- **ECL for financial instruments issued by the Jordanian government are considered to be zero, and therefore the provisions allocated will be zero as well. Accordingly, LGD for the following assets has been used as follows:**
 - foreign currency deposits: LGD is considered to be (45%) based on the following indicators:
 - Historically, the Central Bank has not faced any case of default of its deposits with its foreign correspondents.
 - Deposits are held with high rating correspondent banks; each of which is given a ceiling on the deposits it holds based on many factors.
 - Such deposits are not renewed automatically; rather, all deposits will be transferred and then re-held.
 - Bonds at amortized cost: LGD is (45%) as it is considered one of the senior claims in case of repayment of debts at default.
 - Jordan Mortgage Refinance Company's bond: LGD is (45%) as it is considered one of the senior claims in case of repayment of debts at default.
 - Advances granted to Islamic banks. These are divided into two types:
 - Advances granted against collaterals by the Jordan Loan Guarantee Corporation (GLGC) at different ratios of the advance value. The recovery rate is calculated for these advances and the LGD is thereby calculated based on the recovery rate.
 - Advances granted with no collaterals by the GLGC; instead, real estate collaterals or personal guarantees are provided. (LGD) is (45%) as it is considered one of the senior claims in case of repayment of debts at default.
- **Exposure at Default EAD:**

IFRS 9 requires an examination of the pattern of amounts provided to debtors as well as an identification of the amount employed at time of default (whether in a form of facilities, or direct or indirect loans). However, most of the components of the Central Bank portfolio are bonds, and debts instruments, along with their amounts which can be determined from the outstanding balance.

Governance of the adoption of the IFRS 9 which includes responsibilities of the Board of Directors and executive management to ensure commitment to the IFRS 9 application requirements.

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Finance Department:

- Participating with the Bank's departments in the development and construction of a business model which includes the classification of financial assets of the Bank according to the principles of IFRS 9.
- Ensuring that reconciliation and accounting entries are prepared after approving results and verifying that all products have been subjected to the calculation.
- Participating with the Bank's departments in the preparation of a clear framework for the calculation of ECL and classification of financial instruments into three stages in accordance with the IFRS 9 application requirements.
- Preparing necessary disclosures in cooperation with the related departments in the Bank and in line with the Central Bank Law and IFRS 9 application requirements.
- Preparing statements required from the bank.

Internal Audit Department:

- Examining, evaluating, and improving the efficiency and adequacy of internal control, risk management, and corporate governance systems in the Bank.
- Reviewing credibility and reliability of financial information and the extent to which they can be relied on.
- Reviewing work systems and procedures to verify that they confirm with laws, regulations, instructions, policies, methodologies, and plans, in addition to determining their adequacy and degree of commitment thereon.
- Evaluating available resources to ensure optimal utilization.
- Providing advice and making recommendations related to the development and update of work systems and procedures applied in the Bank, so as to raise their efficiency and effectiveness.

Risk and Compliance Management Department:

- Developing and implementing the general framework for aggregate risk management which includes mechanisms for determining, assessing, controlling, and monitoring risks on an ongoing basis.
- Developing related policies to maintain and protect information security in such a way as to ensure sustainability in meeting the Bank's objectives efficiently and effectively.

Internal Audit Committee

This Committee provides necessary recommendations and suggestions in order to help the Board of Directors perform its duties and supervisory role with regards to the following:-

- Internal control system.
- Performance, independence, and effectiveness of the internal audit.
- Reliability of financial data and the mechanism for the preparation and presentation of financial statements.
- The Bank's compliance with laws, regulations, legislation, and codes of conduct.
- Reviewing financial data after the adoption of the standard; particularly, in order to verify the adequacy of provisions before being presented to the Board of Directors.
- Reviewing observations indicated in the Bank's report as well as the external auditor's report, in addition to following up procedures taken thereon.
- Following up accounting issues which have a significant impact on the financial data of the Bank and ensure the accuracy and soundness of accounting and supervisory procedures, and the degree of abidance thereon.

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Risk Management Committee

This Committee provides necessary recommendations and suggestions that contribute to enable the Board of Directors perform its supervisory role pertaining to the application of the general framework for aggregate risk management. The key tasks of the Committee are as follows:-

- Reviewing the general framework for aggregate risk management and providing recommendations thereof to the Board of Directors.
- Reviewing the risk appetite statement as well as the policies and methodologies emerging from the general framework, in addition to providing necessary related recommendations and suggestions to the Board of Directors.
- Reviewing and controlling risk description and providing necessary recommendations to the Board of Directors.

Cooperating with other committees; particularly, the audit committee issued by the Board of Directors so as to exchange information necessary for the committee's work.

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1. Exposure to Credit Risk:

The following are the details of on-statement of financial position and off-statement of financial position items subject to credit risk as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
	JD	JD
On-statement of financial position items:		
Gold	1,302,180,755	1,473,701,649
Cash balances and deposits	5,381,243,055	4,856,143,354
Financial Securities at fair value through profit or loss - Foreign currencies	268,992,566	563,958,618
Foreign Financial securities at amortized cost	3,311,419,997	4,076,462,256
Past due Direct Credit facilities and commercial exchange Agreements	766,882,210	766,882,210
Special drawing rights	22,746,644	43,125,921
Foreign Financial assets at fair value through comprehensive income	375,051,125	358,063,288
Other assets - foreign currencies	48,143,599	33,562,259
Financial securities and others	410,001,623	498,889,563
Advances granted to local banks and financial Institutions	587,356,442	511,805,826
Financial assets in local currency at fair value through other comprehensive income.	30,313,688	15,230,358
Financing of financial securities repurchase agreements	214,000,000	25,000,000
Other assets in Jordanian Dinar	37,939,890	37,988,857
Total	12,756,271,594	13,260,814,159
Off balance sheet items		
Letters of credit	126,863,639	121,011,196
Total	126,863,639	121,011,196
Grand Total	12,883,135,233	13,381,825,355

2. Distribution of exposure to credit risk according to the degree of risk:

a. Foreign Financial securities at amortized cost as of December 31, 2018

- Foreign Commercial Papers:

Classification	Rating Institution	Issuing Institution	Balance
			JD
P – 1	MOODY'S	KDB	115,233,087
P – 1	MOODY'S	MDCBV	174,426,907
P – 1	MOODY'S	NRWBK	141,154,594
			430,814,588

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- Foreign Bonds

Classification	Rating Institution	Issuing Institution	Balance
			JD
Aa1	Moody's	OKB	35,438,071
Aaa	Moody's	EDC	106,345,199
Aaa	Moody's	KFW	49,562,817
Aaa	Moody's	RENTEN	223,256,851
B1	Moody's	DIP/JORDAN	616,838
B1	Moody's	JORDAN	33,669,803
Aaa	Moody's	NIB	14,149,669
Aa3	Moody's	QATAR	12,195,382
Aaa	Moody's	AFDB	35,419,890
Aaa	Moody's	ASIA	162,975,135
Aaa	Moody's	EBRD	53,127,012
Aaa	Moody's	CANADA	14,144,568
Aaa	Moody's	EIB	162,931,178
Aaa	Moody's	IADB	262,227,023
Aaa	Moody's	IBRD	659,289,705
Aaa	Moody's	IFC	191,298,405
Aa1	Moody's	IFFIM	42,534,236
Aaa	Moody's	ISDB	326,180,988
Aaa	Moody's	IDAWBG	14,099,610
Aa2	Moody's	ADGB	28,396,669
Aa1	Moody's	FINLAND	14,154,457
Aaa	Moody's	UST	438,591,903
Total Foreign Bonds at Amortized Cost			2,880,605,409
Total Foreign Financial Securities at Amortized Cost			3,311,419,997

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b. Foreign Financial securities currencies at fair value through profit or loss as of December 31, 2018:

- Foreign Bonds

Classification	Rating Institution	Issuing Institution	Financial securities at fair value
			JD
Aaa	Moody's	LBANK	35,521,432
Aaa	Moody's	IBRD	35,635,208
Aaa	Moody's	EBRD/BRAINUS ZURKER KANTONAL	70,900,000
Aaa	Moody's	BANK/BRAINUS	70,900,000
Aaa	Moody's	UST	56,035,926
Total Foreign Bond at fair Value Through Profit or Loss			268,992,566

3 - Distribution of the collaterals fair value against credit facilities

Credit Facilities Type	Distribution of collaterals against credit facilities during the year 2018		
	Credit Amount	Guarantees amount	Guarantee Type
	JD	JD	
Financing Financial Securities repurchasing agreements	214,000,000	219,783,000	Government financial securities
Advances Granted to Specialized Credit Institutions and Banks	425,132,895	622,045,149	Government financial securities and bills
Credit Facilities Type	Distribution of collaterals against credit facilities during the year 2017		
	Credit Amount	Guarantees amount	Guarantee Type
	JD	JD	
Financing Financial Securities repurchasing agreements	25,000,000	26,000,000	Treasury Bonds
Advances Granted to Specialized Credit Institutions and Banks	340,796,624	504,077,709	Government financial securities and bills

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4 - Geographical distribution of credit risk exposure

	Inside the Kingdom	GCC Countries	Other Countries	Europe	Asia *	America	Canada	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Gold	-	-	-	1,302,180,755	-	-	-	1,302,180,755
Cash balances and deposits	178,646,585	2,729,225,202	207,192	1,686,471,366	72,146,193	714,363,168	183,349	5,381,243,055
Financial Securities at fair value through profit or loss - Foreign currencies	-	-	-	177,321,432	-	91,671,134	-	268,992,566
Foreign financial securities at amortized cost	34,286,642	541,199,945	35,419,890	736,308,885	278,208,222	1,565,506,646	120,489,767	3,311,419,997
Past due direct credit facilities and commercial exchange agreements	-	-	766,882,210	-	-	-	-	766,882,210
Special drawing rights	-	-	-	-	-	22,746,644	-	22,746,644
Foreign Financial assets at fair value through other comprehensive income	-	341,873,879	-	-	13,563,398	19,613,848	-	375,051,125
Other assets - foreign currencies	877,373	25,884,566	64,060	10,280,341	1,527,872	9,129,185	380,202	48,143,599
Financial securities and others	410,001,623	-	-	-	-	-	-	410,001,623
Advances granted to local banks and financial institutions	587,356,442	-	-	-	-	-	-	587,356,442
Financial assets in local currency at fair value through other comprehensive income	30,313,688	-	-	-	-	-	-	30,313,688
Financing of financial securities repurchasing agreements	214,000,000	-	-	-	-	-	-	214,000,000
Other assets in Jordanian currency	37,939,890	-	-	-	-	-	-	37,939,890
Total on - financial position items	<u>1,493,422,243</u>	<u>3,638,183,592</u>	<u>802,573,352</u>	<u>3,912,562,779</u>	<u>365,445,685</u>	<u>2,423,030,625</u>	<u>121,053,318</u>	<u>12,756,271,594</u>
Off financial position items:								
Letters of credit	126,863,639	-	-	-	-	-	-	126,863,639
Total for the Year 2018	<u>1,620,285,882</u>	<u>3,638,183,592</u>	<u>802,573,352</u>	<u>3,912,562,779</u>	<u>365,445,685</u>	<u>2,423,030,625</u>	<u>121,053,318</u>	<u>12,883,135,233</u>
Total for the Year 2017	<u>1,477,660,250</u>	<u>2,760,529,690</u>	<u>767,096,403</u>	<u>5,277,105,787</u>	<u>363,423,989</u>	<u>2,569,034,310</u>	<u>166,974,926</u>	<u>13,381,825,355</u>

* Except for Middle East Countries

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Distribution of credit exposures according to geographical distribution according to IFRS (9)

Item	Stage 1	Stage 2	Stage 3	Total
Inside the Kingdom	1,520,566,363	-	99,719,519	1,620,285,882
GCC Countries	3,638,183,592	-	-	3,638,183,592
Other Countries	802,573,352	-	-	802,573,352
Europe	3,912,562,779	-	-	3,912,562,779
Asia	365,445,685	-	-	365,445,685
America	2,423,030,625	-	-	2,423,030,625
Canada	121,053,318	-	-	121,053,318
Total	12,783,415,714	-	99,719,519	12,883,135,233

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5 - Exposure to credit risk according to economic sector:

Item / Economic Sector	Financial	Government and Public	Total
		Sector	
	JD	JD	JD
Gold	1,302,180,755	-	1,302,180,755
Cash balances and deposits	4,123,780,211	1,257,462,844	5,381,243,055
Financial Securities at fair value through profit or loss - Foreign currencies	70,900,000	198,092,566	268,992,566
Foreign financial securities at amortized cost	174,426,907	3,136,993,090	3,311,419,997
Past due direct credit facilities and commercial exchange agreements	-	766,882,210	766,882,210
Special drawing rights	-	22,746,644	22,746,644
Foreign financial assets at fair value through comprehensive income	-	375,051,125	375,051,125
Other assets - foreign currencies	32,324,092	15,819,507	48,143,599
Financial securities and other	117,733,472	292,268,151	410,001,623
Advances granted to local banks and financial institutions	526,610,902	60,745,540	587,356,442
Financial assets in local currency at fair value through other comprehensive income	26,897,843	3,415,845	30,313,688
Financing of financial securities repurchase agreements	214,000,000	-	214,000,000
Other assets in Jordanian Dinar	37,939,890	-	37,939,890
Total on - financial position items	6,626,794,072	6,129,477,522	12,756,271,594
Off financial position items:			
Letters of credit	-	126,863,639	126,863,639
Total for the Year 2018	6,626,794,072	6,256,341,161	12,883,135,233
Total for the Year 2017	6,390,215,719	6,991,609,636	13,381,825,355

Distribution of credit exposures by economic sector according to IFRS (9)

Item	Stage 1	Stage 2	Stage 3	Total
Financial	6,527,074,553	-	99,719,519	6,626,794,072
Government and public sector	6,256,341,161	-	-	6,256,341,161
Total	12,783,415,714	-	99,719,519	12,883,135,233

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6 - Concentration of Foreign Currencies Risks

<i>Jordanian Dinar</i>	US Dollar	Great British Pound	Swiss Franc	Japanese Yen	Canadian Dollar	Euro	Others	Total
December 31, 2018								
Assets								
Gold	-	-	-	-	-	-	1,302,180,755	1,302,180,755
Cash accounts	151,544,910	1,165,762	22,377	-	-	25,895,337	18,199	178,646,585
Current accounts	626,187,789	18,347,281	350	372,562	183,349	94,193,807	1,668,243	740,953,381
Demand accounts	250,044	-	194,798	-	-	-	-	444,842
Term accounts	4,461,198,247	-	-	-	-	-	-	4,461,198,247
Financial securities at fair value through profit or loss	268,992,566	-	-	-	-	-	-	268,992,566
Commercial papers	430,814,588	-	-	-	-	-	-	430,814,588
Foreign Bonds at amortized cost with fixed interest rates	1,196,833,899	-	-	-	-	-	-	1,196,833,899
Foreign Bonds at amortized cost with floating interest rates	1,683,771,510	-	-	-	-	-	-	1,683,771,510
Past due Direct Credit facilities and commercial exchange agreements	766,882,210	-	-	-	-	-	-	766,882,210
Special drawing rights	-	-	-	-	-	-	22,746,644	22,746,644
Foreign financial assets at fair value through other comprehensive income	27,786,742	-	-	-	-	-	347,264,383	375,051,125
Assets in foreign currencies	48,068,071	-	-	-	-	22,753	52,775	48,143,599
Total	9,662,330,576	19,513,043	217,525	372,562	183,349	120,111,897	1,673,930,999	11,476,659,951
Liabilities:								
Current and demand accounts	211,034,308	19,247,602	-	-	-	112,028,630	-	342,310,540
Term accounts / reserve	566,194,554	-	-	-	-	-	-	566,194,554
Term accounts	1,400,961,237	-	-	-	-	-	-	1,400,961,237
Other term accounts	6,381,000	-	-	-	-	-	-	6,381,000
Obligations against special drawing rights allocations	-	-	-	-	-	-	159,812,992	159,812,992
Total	2,184,571,099	19,247,602	-	-	-	112,028,630	159,812,992	2,475,660,323
Net concentration	7,477,759,477	265,441	217,525	372,562	183,349	8,083,267	1,514,118,007	9,000,999,628
December 31, 2017								
Assets	10,154,576,805	20,998,473	94,289	1,277,556	61,295	141,982,405	1,852,908,732	12,171,899,555
Liabilities	1,399,477,613	21,573,006	-	-	-	133,771,144	163,643,532	1,718,465,295

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Net concentration	<u>8,755,099,192</u>	<u>(574,533)</u>	<u>94,289</u>	<u>1,277,556</u>	<u>61,295</u>	<u>8,211,261</u>	<u>1,689,265,200</u>	<u>10,453,434,260</u>
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b. Market Risk

Market risk is the risk of the fluctuation in the fair value and cash flows of financial instruments due to the changes in market prices such as interest rate and exchange rate. Market risks are measured by the Bank's management through several methods of which:

- Controlling risks through the Investment and Foreign Operations Department and preparing reports periodically to the investment Committee.
- Establishing a pattern for the measurement of interest rate risk such as using the sensitivity analysis method based on the assessment of risks relating to incurring losses in fair value due to the changes in interest rates and exchange rates of foreign currencies.
- Adopting the value – at – risk (VAR) method to statistically assess the potential losses in an instrument or portfolio due to the prevailing adverse changes in the market. The maximum potential loss is shown at a determined confidence level of (95%) and a specified retention period.
- The Bank continues to tie the Jordanian Dinar to the US Dollar while maintaining most of the Central Bank of Jordan assets in US Dollar for rates not less than (82%), from the net Bank assets in foreign currencies (after netting local banks deposits from foreign currencies and other outside short-term obligations).

- Change in Interest Rate Risk

Interest rate risk is the risk resulting from the change in market interest rates. This risk is one of the most prevalent risks to which the Bank is exposed. Moreover, deposits constitute a great percentage of the Central Bank of Jordan investments in addition to other instruments related to interest rate such as debts instruments (fixed income).

The Bank manages these interest rate risks through applying the sensitivity analysis to the instruments subject to interest rate in the portfolio (parallel analysis +, - 1% on the same interest).

- Exchange Rate Risk

This is the most important risk encountered in the investment activity due to the tie of the Jordanian Dinar to the US Dollar at a fixed exchange rate. In addition, the Central Bank of Jordan foreign assets are evaluated according to this exchange rate because the Central Bank of Jordan is entitled to keep up to 18% of its net assets in foreign currencies other than the US Dollar. Any negative changes in their exchange rates against the US Dollar will lead to diminishing the size of the Central Bank of Jordan assets in proportion to the change.

Nevertheless, the percentage has been set up for strategic objectives to diversify and maintain the balance between the Bank's assets and liabilities denominated in various foreign currencies. Moreover, the legislator, through Article (56/b) of the Central Bank of Jordan Law, emphasized on the subject of the treatment of this condition due to his conviction of the importance and necessity that the Central Bank of Jordan should keep part of its assets in other foreign currencies to fulfill its needs and those of the country and its organizations. The effects of the exchange rate fluctuations in foreign currencies have been isolated in the Bank's statement of income through recording them in a special account for the evaluation differences as the fluctuation in exchange rates is a repetitive and permanently recurring process. The present utilization rate is (1.585%).

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- Interest Rate Risk

The details of the sensitivity analysis of the accounts exposed to changes in interest rates according to currency type during the years 2018 and 2017 are as follows:

Sensitivity analysis for 2018:

Currency	Effect of Raising the Interest Rate by 1% on the Statement of profit or loss	Effect of Reducing the Interest Rate by 1% on the Statement of Profit or loss
<i>Jordainian Dinar</i>		
US Dollar	80,416,108	(80,416,108)
Jordanian Dinar	(22,628,616)	22,628,616

Sensitivity analysis for 2017:

Currency	Effect of Raising the Interest Rate by 1% on the Statement of profit or loss	Effect of Reducing the Interest Rate by 1% on the Statement of Profit or loss
<i>Jordainian Dinar</i>		
US Dollar	86,639,959	(86,639,959)
Jordanian Dinar	(22,141,411)	22,141,411

- Foreign Currency Risk:

Sensitivity analysis for 2018:

Currency	Effect of Raising the Exchange Rate by 5% on Assets or Liabilities	Effect of Reducing the Exchange Rate by 5% on Assets or Liabilities
<i>Jordainian Dinar</i>		
Euro	6,004,457	(6,004,457)
Great British Pound	975,652	(975,652)
Japanese Yen	18,628	(18,628)
Canadian Dollar	9,167	(9,167)
Swiss Franc	10,876	(10,876)
Other Currencies	76,707	(76,707)

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Sensitivity analysis for 2017:

Currency	Effect of Raising the Exchange Rate by 5% on Assets or Liabilities	Effect of Reducing the Exchange Rate by 5% on Assets or Liabilities
<i>Jordainian Dinar</i>		
Euro	7,097,034	(7,097,034)
Great British Pound	1,049,924	(1,049,924)
Japanese Yen	63,878	(63,878)
Canadian Dollar	3,065	(3,065)
Swiss Franc	4,714	(4,714)
Other Currencies	63,636	(63,636)

c. Liquidity Risk

- The maturities of assets against liabilities are distributed as follows:

1. The Bank's custody volume of any issue should not exceed 10% of the total issue or US Dollar 100 million, whichever is less.
2. The Central Bank of Jordan should keep a minimum amount of liquidity in current accounts representing at least 20% of the issued documentary credits.
3. CBJ should maintain assets that can be easily liquidated as protection against any unforeseen shortage in liquidity.
4. Liquidity is measured through the daily balances statement in addition to the analysis and distribution of financial assets according to the expected dates of their maturities and contingent liabilities required payments.

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Interest Rate Repricing Gap:

Classification is based on interest repricing periods or maturities, whichever are nearer.

<i>Jordanian Dinar</i>	Up to 3 Months	More than 3 to 6 Months	More than 6 Months up to 1Year	More than 1 Year to 3 Years	More than 3 Years	Without Interest	Total
<u>December 31, 2018</u>							
<u>Assets</u>							
Gold and foreign currencies assets:							
Gold	252,099,971	72,544,455	-	-	-	977,536,329	1,302,180,755
Cash balances and deposits	3,885,425,107	698,122,549	619,048,814	-	-	178,646,585	5,381,243,055
Financial Securities at fair value through profit or loss - Foreign currencies	-	-	14,067,834	99,208,945	13,915,787	141,800,000	268,992,566
Foreign financial securities at amortized cost	345,818,327	300,177,025	566,742,310	1,300,115,207	798,567,128	-	3,311,419,997
Past due direct credit facilities and commercial exchange agreements	-	-	-	-	-	766,882,210	766,882,210
Special drawing rights	-	-	-	-	-	22,746,644	22,746,644
Foreign financial assets at fair value through other comprehensive income	-	-	-	-	-	375,051,125	375,051,125
Other assets - foreign currencies	29,822,786	11,327,627	6,993,186	-	-	-	48,143,599
Assets in Jordanian Currency:							
Financial securities and other	5,000,000	-	-	17,721,000	95,012,472	292,268,151	410,001,623
Advances granted to local banks and financial institutions	31,047,715	25,838,109	51,104,456	185,539,932	161,543,648	132,282,582	587,356,442
Financial assets in local currency at fair value through other comprehensive income.	-	-	-	-	-	30,313,688	30,313,688
Financing of financial securities repurchase agreements	214,000,000	-	-	-	-	-	214,000,000
Property and equipment and software (net)	-	-	-	-	-	17,113,417	17,113,417
Other assets in Jordanian Dinar	-	-	-	-	23,663,700	15,096,098	38,759,798
Gold and foreign currencies valuation differences	-	-	-	-	-	127,360,714	127,360,714
Total Assets	<u>4,763,213,906</u>	<u>1,108,009,765</u>	<u>1,257,956,600</u>	<u>1,602,585,084</u>	<u>1,092,702,735</u>	<u>3,077,097,543</u>	<u>12,901,565,633</u>

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Interest Rate Repricing Gap:

Classification is based on interest repricing periods or maturities, whichever are nearer.

<i>Jordanian Dinar</i> <u>December 31, 2018</u>	Up to 3 Months	More than 3 to 6 Months	More than 6 Months up to 1Year	More than 1 Year to 3 Years	More than 3 Years	Without Interest	Total
Liabilities							
Currency issued	-	-	-	-	-	4,802,430,815	4,802,430,815
Liabilities in foreign currencies:							
Local licensed banks and financial institutions' deposits	839,712,374	-	-	-	-	-	839,712,374
Government deposits	58,775,389	-	-	-	-	-	58,775,389
Governmental deposits with independent budgets public institutions on	6,608,134	-	-	-	-	-	6,608,134
Foreign financial institutions, banks and independent agencies' deposits	467,468,203	106,350,000	827,143,033	-	-	6,015,718	1,406,976,954
Obligations against special drawing rights	-	-	-	-	-	159,812,992	159,812,992
Deposits and other liabilities	3,774,480	-	-	-	-	-	3,774,480
Liabilities in Jordanian Currency:							
Certificates of deposits							
Local licensed banks and financial institutions deposits	600,000,000	-	-	-	-	-	600,000,000
Government deposits	1,534,500,000	-	-	-	-	2,472,773,451	4,007,273,451
Governmental deposits with independent budgets on public institutions	286,877,866	-	-	-	-	-	286,877,866
International Monterey Fund accounts	161,497,750	-	-	-	-	-	161,497,750
Foreign financial institutions, banks and independent agencies' deposits	-	-	-	-	105,867,886	-	105,867,886
Other liabilities in Jordanian currency	-	-	-	-	-	1,406,102	1,406,102
Total Liabilities	32,848,202	-	-	-	-	58,948,834	91,797,036
Interest rate re - pricing gap	3,992,062,398	106,350,000	827,143,033	-	105,867,886	7,501,387,912	12,532,811,229
<u>December 31, 2017</u>							
Total Assets	771,151,508	1,001,659,765	430,813,567	1,602,585,084	986,834,849	(4,424,290,369)	368,754,404
Total Liabilities	3,693,915,165	2,080,605,179	1,096,352,973	1,298,602,684	1,828,923,007	3,369,169,405	13,367,568,413
Interest Rate Re - pricing Gap	4,874,781,537	106,350,000	-	-	100,994,880	7,960,471,374	13,042,597,791
	(1,180,866,373)	1,974,255,179	1,096,352,973	1,298,602,684	1,727,928,127	(4,591,301,968)	324,970,622

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38 - Capital Management

Through the management of its capital, the Central Bank of Jordan aims at:

- a. Complying with the Central Bank of Jordan Law.
- b. Maintaining its ability as a going concern through establishing a strong base to support its objectives represented in preserving monetary stability and guaranteeing the convertibility of the Jordanian Dinar and the stability of the financial sector. This is conducted in a manner that contributes to permanent economic growth in the Kingdom, and thus, makes available an attractive investment environment in addition to the safety and fortitude of the banking system and the national payments system through the application of an effective monetary policy and the employment of the optimal human, financial, technical and know-how resources.

The Central Bank of Jordan maintains a general reserve at 20% of its net profit in each fiscal year. The rest of net profit is paid to the Ministry of Finance after taking all the necessary provisions and reserves. In case the general reserve exceeds twice the amount of capital, all net profits are paid to the Ministry of Finance. Should the reserves be inadequate to cover any losses in the statement of income for any fiscal year, the Government has to pay an adequate amount for this coverage. The amount is considered a preferred debt to the Government deductible from the profit achieved in subsequent periods.

Capital Items:

<i>Jordanian Dinar</i>	December 31,	
	2018	2017
Capital	48,000,000	48,000,000
General reserve	1,878,264	1,878,264
Financial assets valuation reserve	132,396,907	123,936,716
Special reserves	186,479,233	151,155,642
Total Capital and Reserves	368,754,404	324,970,622

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39 - Analysis of the Maturities of Assets and Liabilities

The following table shows the analysis of assets and liabilities according to the expected recoverability or settlement period:

<i>Jordanian Dinar</i>	December 31, 2018		
	Up to One Year	More than One Year	Total
Assets:			
Gold	1,302,180,755	-	1,302,180,755
Cash balances and deposits	5,381,243,055	-	5,381,243,055
Foreign financial securities at fair value through profit and loss	14,067,834	254,924,732	268,992,566
Foreign financial securities at amortized cost	1,212,737,662	2,098,682,335	3,311,419,997
Past due direct credit facilities and commercial exchange agreements	-	766,882,210	766,882,210
Special drawing rights	-	22,746,644	22,746,644
Foreign financial assets at fair value through other comprehensive income	-	375,051,125	375,051,125
Other assets – Foreign currencies	48,143,599	-	48,143,599
Financial securities and others	2,000,000	408,001,623	410,001,623
Advances granted to local banks and financial institutions	107,990,280	479,366,162	587,356,442
Local-currencies Financial assets at fair value through other comprehensive income.	-	30,313,688	30,313,688
Financial securities repurchasing agreements	214,000,000	-	214,000,000
Property and Equipment and softwaer (net)	-	17,113,417	17,113,417
Other assets in Jordanian Dinar	15,096,098	23,663,700	38,759,798
Gold and foreign currencies valuation differences	127,360,714	-	127,360,714
Total	8,424,819,997	4,476,745,636	12,901,565,633
Liabilities:			
Currency issued	-	4,802,430,815	4,802,430,815
Local licensed banks and financial institutions deposits in foreign currencies	839,712,374	-	839,712,374
Government deposits in foreign currencies	58,775,389	-	58,775,389
Government deposits with independent budgets and Public institutions	6,608,134	-	6,608,134
Foreign financial institutions, banks and independent agencies' deposits	1,406,976,954	-	1,406,976,954
Obligations against special drawing rights	-	159,812,992	159,812,992
Deposits and other liabilities in foreign currencies	3,774,480	-	3,774,480
Certificates of deposits – JD	600,000,000	-	600,000,000
Local licensed banks and financial institutions deposits – JD	4,007,273,451	-	4,007,273,451
Government deposits – JD	286,877,866	-	286,877,866
Government deposits with independent budgets and Public institutions – JD	161,497,750	-	161,497,750
International Monetary Fund accounts	-	105,867,886	105,867,886
Foreign financial institutions, banks and independent agencies' deposits- JD	1,406,102	-	1,406,102
Other liabilities – JD	91,797,036	-	91,797,036
Total	7,464,699,536	5,068,111,693	12,532,811,229

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<i>Jordanian Dinar</i>	December 31, 2017		
	Up to One Year	More than One Year	Total
Assets:			
Gold	1,473,701,649	-	1,473,701,649
Cash balances and deposits	4,856,143,354	-	4,856,143,354
Foreign financial securities at fair value through profit and loss	113,141,367	450,817,251	563,958,618
Foreign financial securities at amortized cost	1,732,774,001	2,343,688,255	4,076,462,256
Past due direct credit facilities and commercial exchange agreements	-	766,882,210	766,882,210
Special drawing rights	-	43,125,921	43,125,921
Foreign financial assets at fair value through other comprehensive income	-	358,063,288	358,063,288
Other assets – Foreign currencies	33,562,259	-	33,562,259
Financial securities and others	95,000,000	403,889,563	498,889,563
Advances granted to local banks and financial institutions	14,617,777	497,188,049	511,805,826
Local-currencies Financial assets at fair value through other comprehensive income.	-	15,230,358	15,230,358
Financial securities repurchasing agreements	25,000,000	-	25,000,000
Property and Equipment and softwaer (net)	-	12,793,907	12,793,907
Other assets in Jordanian Dinar	17,661,574	23,193,009	40,854,583
Gold and foreign currencies valuation differences	91,094,621	-	91,094,621
Total	8,452,696,602	4,914,871,811	13,367,568,413
Liabilities:			
Currency issued	-	4,836,496,022	4,836,496,022
Local licensed banks and financial institutions deposits in foreign currencies	843,377,361	-	843,377,361
Government deposits in foreign currencies	44,888,242	-	44,888,242
Government deposits with independent budgets and Public institutions	33,104	-	33,104
Foreign financial institutions, banks and independent agencies' deposits	663,472,374	-	663,472,374
Obligations against special drawing rights	-	163,643,532	163,643,532
Deposits and other liabilities in foreign currencies	3,050,682	-	3,050,682
Certificates of deposits – JD	600,000,000	-	600,000,000
Local licensed banks and financial institutions deposits – JD	4,797,724,911	-	4,797,724,911
Government deposits – JD	664,204,024	-	664,204,024
Government deposits with independent budgets and Public institutions – JD	251,072,876	-	251,072,876
International Monetary Fund accounts	-	100,994,880	100,994,880
Foreign financial institutions, banks and independent agencies' deposits- JD	1,190,504	-	1,190,504
Other liabilities – JD	72,449,279	-	72,449,279
Total	7,941,463,357	5,101,134,434	13,042,597,791

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40 - Accounts Managed on Behalf of Customers

- Open market operations and public debt:

The accounts managed on behalf of customers amounted to JD 15,652 million as of the end of the year 2018 compared to JD 13,002 million for the year 2017, The details are as follows:

<u>Account</u>	In JD Million	
	2018	2017
Treasury bonds / USD	1,666	-
Ministry of finance / treasury bonds	12,595	11,910
Ministry of finance / Treasury bills	285	145
Public institutions / public institutions bonds	611	658
Floating of Jordanian treasury bonds	150	100
Saving bonds for individuals	39	39
National electricity company's Skuk	300	150
Individual naturalization bonds	6	-
	15,652	13,002

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41 - Fair Value Hierarchy

- a. The fair value of financial assets and liabilities specified at fair value on an ongoing basis:
Some of the bank's assets and liabilities are evaluated using the fair value at the end of each financial period, the second table shows information about the method of determining the fair value of those assets and liabilities (evaluation method and inputs used).

<i>Jordanian Dinar</i> Financial Assets / Financial Liabilities	Fair value December 31,		Fair value level	Evaluation method and Inputs used	Material intangible inputs	The relation between material intangible inputs and fair value
	2018	2017				
Financial Assets at Fair Value						
Gold	1,302,180,755	1,473,701,649	First level	Fair Market Value	Not Applicable	Not Applicable
Foreign Financial Securities at Fair Value Through Profit or Loss						
Foreign bonds	268,992,566	563,958,618	First and second level	Fair Market Value	Not Applicable	Not Applicable
Foreign Financial Assets at Fair Value Through Other Comprehensive Income:						
Contributions with available market prices	8,736,235	8,998,680	First level	Fair Market Value Comparing it with the fair value of a similar financial instrument	Not Applicable	Not Applicable
Contributions with no available market prices	396,628,578	364,294,966	Second level		Not Applicable	Not Applicable
Special Drawing Rights	22,746,644	43,125,921				
Total Financial Assets at Fair Value	1,999,284,778	2,454,079,834				

* There were no transfers between the first and second level during the year 2018 and 2017.

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- b. The fair value of financial assets and liabilities that is not specified at fair value on an ongoing basis:

Except for what is included in the table below, we believe that the book value of the financial assets and liabilities that is shown in the bank's financial statements is similar to its fair value because the bank's management believes that the book value of those items below almost equals its fair value because of their short maturity date and the interest is repriced during the year.

<i>Jordanian Dinar</i>	<u>December 31, 2018</u>		<u>December 31, 2017</u>		Fair Value Level
	Book Value	Fair Value	Book Value	Fair Value	
Financial assets that are not specified at fair value on an ongoing basis					
Balances at central banks	40,136,893	40,136,989	2,354,677	2,354,677	Second level
Balances at banking institutions and banks	701,261,331	702,409,967	597,587,530	598,276,631	Second level
Deposits at banking institutions and banks	4,461,198,246	4,494,042,145	4,023,575,000	4,045,027,698	Second level
Grants, facilities and other financial assets	866,601,908	866,601,908	909,825,295	909,825,295	Second level
Financial assets at amortized cost	3,311,419,997	3,328,196,583	4,076,462,256	4,086,887,743	First and Second level
Total financial assets that are not specified at fair value on an ongoing basis	<u>9,380,618,375</u>	<u>9,431,387,592</u>	<u>9,609,804,758</u>	<u>9,642,372,044</u>	
Financial liabilities that are not specified at fair value on an ongoing basis					
Banking institutions and bank's deposits	2,100,694,553	2,100,862,717	2,425,964,098	2,426,121,207	Second level
Clients deposits	1,400,961,237	1,408,923,160	642,934,528	644,645,079	Second level
Cash margins	21,471,999	21,471,999	15,016,316	15,016,316	Second level
Total financial liabilities that are not specified at fair value on an ongoing basis	<u>3,523,127,789</u>	<u>3,531,257,876</u>	<u>3,083,914,942</u>	<u>3,085,782,602</u>	

For the items above, the fair value of the financial assets and liabilities were determined for the first and second level according to the agreed on – pricing method that reflects credit risk for the parties dealt with.

42- Commitments and Contingent Liabilities

This item consists of the following:

- a. Credit commitments and contingencies:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Guarantees:		
Payment	951,890	840,994
Performance	3,327,443	1,207,957
Other*	1,289,941	1,994,525
Total	<u>5,569,274</u>	<u>4,043,476</u>

*This items consists of free maintenance guarantee worth 552,098 and guaranties entry bids worth 737,843 as in December 31,2018 (free maintenance warranties worth 1,471,700 and guaranties entry bids worth 522,825 as in December 31,2017)

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b. Contractual commitments:

<i>Jordanian Dinar</i>	December 31,	
	2018	2017
Construction projects contracts	190,965	8,000
Subscriptions in international contributions (callable)	409,800,059	414,067,594
Installments for international contributors	4,531,887	12,469,151
	414,522,911	426,544,745

c. Off balance sheet

<i>Jordanian Dinar</i>	December 31,	
	2018	2017
Letters of credit	126,863,639	121,011,196
Foreign currencies forward contracts	553,447,000	42,540,000
Swap contracts**	133,631,145	115,362,950
	813,941,784	278,914,146

*Forward contracts, it is contracts made by the bank with other licensed banks in order to buy JD in exchange of selling USD on exchange date, note that the outstanding balance of forward contracts is 553,447,000 JD as of Dec 31, 2018 (42,540,000 JD in Dec 31, 2017) for nine contracts, matures on January, February, March, April and June 2019, the details below:

Value of Forward Contract USD	Fair Value for Assets/ JD	Dec 31 2018		
		Fair Value for Liabilities/ JD	Bank Classification Long / Short Term**	Maturity date
200,000,000	-	-	B2/NP	January 7, 2019
500,000,000	-	-	B2/NP	January 7, 2019
10,000,000	-	-	A1/P-1	January 7, 2019
10,000,000	-	-	A1/P-1	February 7, 2019
10,000,000	-	-	A3/P-2	February 7, 2019
10,000,000	-	-	A3/P-2	March 7, 2019
10,000,000	-	-	A1/P-1	March 26, 2019
20,000,000	-	-	A1/P-1	April 23, 2019
10,000,000	-	-	A1/P-1	June 26, 2019
780,000,000	-	-		

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**This item represents ten swap contracts to exchange US Dollars for Jordanian Dinars between Central Bank of Jordan and a licensed bank in exchange of the bank's capital and reserves, with the amount of JD 62,671,863 as of December 31, 2018 the maturity of these contracts are on April and June 2019, and an international financial institution against facilities granted by it for the licensed banks within the agreement of supporting small and medium projects and for local institutions outside the small and medium projects concerning eight contracts for the amount of JD 70,959,282 as of December 31, 2018 with their maturity dates on , January, March, May and June 2019, their details are as follows:

December 31, 2018				
Swap Contract Amount	Assets Fair Value	Liabilities Fair Value	Bank Classification Long/Short Term ***	Maturity Date
16,693,089	-	7,886	A1 – P1	April 4, 2019
70,521,862	-	64,172	A1 – P1	June 3, 2019
6,185,774	-	2,114	Aaa – P1	January 23, 2019
2,348,550	-	1,058	Aaa – P1	March 6, 2019
20,000,000	-	1,756	Aaa – P1	March 27, 2019
2,961,918	-	1,780	Aaa – P1	May 7, 2019
50,493,653	-	31,150	Aaa – P1	May 7, 2019
10,000,000	-	12,108	Aaa – P1	May 7, 2019
2,000,000	-	3,051	Aaa – P1	May 28, 2019
5,724,158	-	5,557	Aaa – P1	June 27, 2019
186,929,004	-	130,632		

December 31, 2017				
Swap Contract Amount	Assets Fair Value	Liabilities Fair Value	Bank Classification Long/Short Term ***	Maturity Date
USD	JD	JD		
15,491,836	-	1,308	A1 – P1	April 4, 2018
70,521,862	-	40,107	A1 – P1	June 4, 2018
56,417,489	-	11,962	Aaa – P1	May 7, 2018
10,000,000	-	8,163	Aaa – P1	May 7, 2018
8,571,428	-	6,905	Aaa – P1	June 25, 2018
161,002,615	-	68,445		

** Long/short-term credit ratings issued by Moody's global credit ratings.

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NOTES TO THE FINANCIAL STATEMENTS

- d. According to the resolution of the Board of Directors No. (105/97) dated October 2, 1997, it was agreed to sell the assets and liabilities of Amman Investment Bank (under liquidation) to the Arab Bank according to a mechanism clarified in the sale agreement and appendices. Moreover, the Central Bank of Jordan, if necessary, guarantees compensating the Arab Bank for the losses and non-collection of the assets of Amman Investment Bank according to the compensation mechanism shown in the sale agreement and the resolution of the Board of Directors and for any loss balance the Bank did not recover.
- e. There are lawsuits filed against the Central Bank of Jordan amounting to JD 1,150,315 as of December 31, 2018 JD (8,263,250 as of December 31, 2017), representing financial claims. These lawsuits are still pending in the specialized courts. According to the Bank's legal consultant, the provisions taken in the financial statements are sufficient to cover any contingent liabilities.
- f. Swap contracts are stated at forward rates at the date of the statement of financial position.