AL-NISR AL-ARABI INSURANCE
PART OF ARAB BANK GROUP

Ref. : 6/1/6 003730
Date : 28 MAR 2019

M/S. Jordan Securitires Commission

السادة / هيئة الأوراق المالية

Subject: Audited Financial Statements for the fiscal year ended 31/12/2018

Attached the Audited Financial Statments of Al-Nisr **Al-Arabi Insurance Company** for the fiscal year ended **31/12/2018.**

Kindly accept our high appreciation and respect.

Al-Nisr Al-Arabi Insurance Co.

الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2018/12/31

مرفق طيه نسخة من البيانات المالية المدققة لشركة **النسر العربي للتأمين** عن السنة المالية المنتهية في 2018/12/31 .

وتفضلوا بقبول فائق الاحترام،،،

شركة النسر العربي للتأمين

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٢٨ آذار ٢٠١٩
الرقم المتسلسل ٥٠٤٠١٣١
الجهة المختصة ع/ا/ خطاح

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AL NISR AL ARABI INSURANCE COMPANY

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Nisr Al Arabi Insurance Company - Public Shareholding Company
Amman- Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Nisr Al Arabi Insurance Company (Public Shareholding Company) and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

1. Revenue recognition	
Key Audit matter	**How the key audit matter was addressed in the audit**
Revenue is an important determinant of the Group's profitability. In addition, there is a risk of improper revenue recognition, particularly with regards to revenue recognition at the cut- off date. Gross written premium amounted to JD 43,013,186 for the year ended 31 December 2018.	Our audit procedures included evaluating the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by lines of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Group's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period. Disclosures of accounting policies for revenue recognition are detailed in note (2) to the consolidated financial statements.

2. Estimates used in calculation and completeness of insurance liabilities	
Key Audit matter	**How the key audit matter was addressed in the audit**
The Group has significant insurance liabilities of JD 66,439,827 representing 91% of the Group's total liabilities as of 31 December 2018. The measurement of insurance liabilities (outstanding claims reserve, unearned premium reserve and mathematical reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.	Our audit procedures included, amongst others, assessing the Group's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Group. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities. Disclosures of assumptions and accounting policies related to insurance contracts liabilities are detailed in note (2) to the consolidated financial statements.

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3. Sufficiency of provision for expected credit losses	
Key Audit matter	**How the key audit matter was addressed in the audit**
The Group's total accounts receivable and checks under collection amounted to JD 10,203,755 as at 31 December 2018. The Group has applied the simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on accounts receivable and checks other collection. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors and economic environment. Due to the significance of accounts receivable and checks under collection and the related estimation uncertainty based on IFRS (9), this is considered a key audit matter.	Our audit procedure included the following: - understanding the Group's policy in calculating the provision in comparison with the requirement of International Financial Reporting Standard (IFRS 9). - We verified the inputs and outputs used in the expected credit losses framework. - We assessed the reasonableness of estimates and judgements used by management in calculating the provision for expected credit losses. The disclosures that are related to provision for expected credit losses are detailed in note (11) to the consolidated financial statements. Disclosure of the estimates and accounting policies related to provision for expected credit losses are detailed in note (2) to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

The Group maintains proper accounting records, which are in agreement with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Mohammad Ibrahim Al-Karaki, license number 882.

Amman – Jordan
27 February 2019

Ernst + Young

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Assets			
Investments-			
Deposits at banks	3	10,580,000	10,236,837
Financial assets at fair value through other comprehensive income	4	5,762,711	5,434,716
Financial assets at amortized cost	5	51,447,209	44,116,229
Investment in associate	6	107,934	107,934
Investment properties	7	940,001	940,001
Life policyholders loans	8	6,945,636	5,560,148
Total Investments		75,783,491	66,395,865
Other Assets-			
Cash on hand and at banks	9	2,600,974	2,327,927
Checks under collection	10	748,937	760,651
Accounts receivable, net	11	9,454,818	9,018,689
Reinsurance receivables, net	12	123,929	89,136
Deferred tax assets	13	180,831	189,059
Property and equipment, net	14	3,143,705	3,361,350
Intangible assets, net	15	75,993	72,587
Other assets	16	1,821,886	1,286,517
Total Assets		93,934,564	83,501,781
Liabilities and Equity			
Technical reserves-			
Unearned premiums reserve, net		6,013,852	5,786,578
Outstanding claims reserve, net		2,460,601	2,455,267
Mathematical reserve, net	17	57,965,374	48,782,179
Total Technical Reserves		66,439,827	57,024,024
Other liabilities -			
Accounts payable	18	423,794	1,780,220
Accrued expenses		378,812	356,207
Reinsurance payables	19	2,882,917	1,940,298
Lawsuit provision	20	201,575	201,575
Income tax provision	13	498,401	334,612
Deferred tax liabilities	13	3,409	-
Other Liabilities	21	2,047,459	932,060
Total Technical Reserves and other Liabilities		72,876,194	62,568,996
Equity-			
Paid in capital	22	10,000,000	10,000,000
Additional paid in capital		3,750,000	3,750,000
Statutory reserve	23	2,604,145	2,584,775
Voluntary reserve	23	1,326,652	1,326,652
Fair value reserve	24	30,681	474,013
Retained earnings	25	3,346,892	2,797,345
Total Shareholders' Equity		21,058,370	20,932,785
Total Liabilities and Shareholders' Equity		93,934,564	83,501,781

The attached notes from 1 to 43 form part of these financial statements

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Revenues -			
Gross written premiums		43,013,186	34,640,623
Less: Reinsurance share		11,058,225	5,530,188
Net written premiums		31,954,961	29,110,435
Net change in unearned premiums reserve		(227,274)	(1,322,645)
Net change in mathematical reserve		(9,183,195)	(8,200,174)
Net earned premiums		22,544,492	19,587,616
Commissions income		576,141	581,957
Insurance policies issuance fees		963,112	896,851
Investments revenues related to underwriting accounts		2,753,795	2,298,813
Other revenue related to underwriting accounts		1,346,163	227,346
Interest income	27	926,055	870,777
Net gain from financial assets and investments	28	43,697	58,009
Other revenues, net		347,465	22,280
Total revenues		29,500,920	24,543,649
Claims, Losses and Expenses			
Paid claims		18,919,126	12,433,866
Maturity and surrender of insurance policies		5,254,203	4,420,813
Less: Recoveries		562,215	393,584
Less: Reinsurance share		5,384,513	2,036,156
Net Paid Claims		18,226,601	14,424,939
Net change in outstanding claims reserve		5,334	405,932
Allocated employees' expenses	29	3,552,876	3,334,302
Allocated administrative and general expenses	30	1,399,236	1,226,194
Excess of loss premium		80,010	104,116
Policies acquisition costs		1,934,028	1,692,590
Other expenses related to underwriting accounts		413,839	227,939
Net claims cost		25,611,924	21,416,012
Unallocated employee' expenses	29	60,799	58,539
Depreciation and amortization	14,15	301,556	302,463
Unallocated administrative and general expenses	30	111,952	105,284
Other expenses		126,485	78,802
Total expenses		600,792	545,088
Profit before tax		3,288,204	2,582,549
Less: Income tax expense	13	722,079	581,235
Profit for the year		2,566,125	2,001,314
		JD/Fils	JD/Fils
Basic and diluted earnings per share	31	0/257	0/200

The attached notes from 1 to 43 form part of these financial statements

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	JD	JD
Profit for the year	2,566,125	2,001,314
Add: Other comprehensive income after tax will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	(443,332)	375,300
Gain (loss) on sale of financial assets at fair value through other comprehensive income	2,792	(898)
Total other comprehensive income items will not be reclassified to profit or loss in subsequent periods, net of tax	(440,540)	374,402
Total comprehensive income for the year	2,125,585	2,375,716

The attached notes from 1 to 43 form part of these financial statements

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Paid in capital	Additional paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total
	JD	JD	JD	JD	JD	JD	JD
2018 -							
Balance at 1 January 2018	10,000,000	3,750,000	2,584,775	1,326,652	474,013	2,797,345	20,932,785
Profit for the year	-	-	-	-	-	2,566,125	2,566,125
Change in fair value reserve	-	-	-	-	(443,332)	-	(443,332)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	2,792	2,792
Total comprehensive income for the year	-	-	-	-	(443,332)	2,568,917	2,125,585
Dividends - (Note 26)	-	-	-	-	-	(2,000,000)	(2,000,000)
Transfer to reserves	-	-	19,370	-	-	(19,370)	-
Balance at 31 December 2018	10,000,000	3,750,000	2,604,145	1,326,652	30,681	3,346,892	21,058,370
2017 -							
Balance at 1 January 2017	10,000,000	3,750,000	2,565,868	1,326,652	98,713	3,015,836	20,757,069
Profit for the year	-	-	-	-	-	2,001,314	2,001,314
Change in fair value reserve	-	-	-	-	375,300	-	375,300
Loss from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(898)	(898)
Total comprehensive income for the year	-	-	-	-	375,300	2,000,416	2,375,716
Dividends (Note 26)	-	-	-	-	-	(2,200,000)	(2,200,000)
Transfer to reserves	-	-	18,907	-	-	(18,907)	-
Balance at 31 December 2017	10,000,000	3,750,000	2,584,775	1,326,652	474,013	2,797,345	20,932,785

- The retained earnings include a restricted amount of JD 180,831 in accordance with Jordan securities commission regulations representing deferred tax assets as of 31 December 2018 (2017: JD 189,059)

The attached notes from 1 to 43 form part of these financial statements

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
OPERATING ACTIVITIES			
Profit for the year before tax		3,288,204	2,582,549
Adjustments for non-cash items			
Depreciation and amortization	14,15	301,556	302,463
Loss (gain) on disposal of property and equipment		763	(12,510)
Net change in unearned premiums reserve		227,274	1,322,645
Net change in outstanding claims reserve		5,334	405,932
Net change in mathematical reserve		9,183,195	8,200,174
Bank Interest income		(656,815)	(334,211)
Interest income on financial assets at amortized cost		(2,428,444)	(2,270,059)
Cash flows from operating activities before changes in working capital		9,921,067	10,196,983
Checks under collection		11,714	191,018
Accounts receivable		(436,129)	(1,812,669)
Reinsurance receivables		(34,793)	436,149
Other assets		219,309	738,083
Accounts payable		(1,356,426)	169,307
Reinsurance payables		942,619	121,294
Other liabilities and accrued expenses		1,095,649	129,951
Net cash flows from operating activities before tax paid		10,363,010	10,170,116
Income tax paid	13	(550,062)	(533,705)
Net cash flows from operating activities		9,812,948	9,636,411
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through other comprehensive income		1,726,439	142,887
Purchase of financial assets at fair value through other comprehensive income		(2,491,565)	-
Financial assets at amortized cost		(7,330,980)	(9,218,102)
Life polices holders' loans		(1,385,488)	(1,055,161)
Purchase of property and equipment	14	(54,120)	(80,005)
Proceeds from sale of property and equipment		789	19,575
Interest received		2,330,581	1,864,645
Purchase of intangible assets	15	(34,749)	(32,450)
Net cash flows used in investing activities		(7,239,093)	(8,358,611)
FINANCING ACTIVITIES			
Dividends paid		(1,957,645)	(2,149,721)
Net cash flows used in financing activities		(1,957,645)	(2,149,721)
Net increase (decrease) in cash and cash equivalents		616,210	(871,921)
Cash and cash equivalents, at the beginning of the year		12,239,764	13,111,685
Cash and cash equivalents, at the end of the year	32	12,855,974	12,239,764

The attached notes from 1 to 43 form part of these financial statements

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDER WRITING REVENUES FOR THE LIFE INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Life	
	2018	2017
	JD	JD
Written premiums -		
Direct insurance	19,366,218	18,082,807
Total premiums	19,366,218	18,082,807
Less:		
Foreign reinsurance share	2,100,144	2,176,711
Net written premiums	17,266,074	15,906,096
Add:		
Unearned written premium at the beginning of the year	442,613	610,491
Less : Reinsurance share	178,230	328,181
Net unearned written premium at the beginning of the year	264,383	282,310
Add:		
Mathematical reserve balance at the beginning of the year	48,782,179	40,582,005
Less: Reinsurance share	-	-
Net mathematical reserve at the beginning of the year	48,782,179	40,582,005
Less:		
Unearned written premium at the end of the year	357,654	442,613
Less: Reinsurance share	142,778	178,230
Net unearned written premium at the end of year	214,876	264,383
Less:		
Mathematical reserve balance at the end of the year	57,965,374	48,782,179
Less: Reinsurance share	-	-
Net mathematical reserve at the end of the year	57,965,374	48,782,179
NET REVENUE FROM WRITTEN PREMIUMS	8,132,386	7,723,849

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE LIFE INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Life	
	2018	2017
	JD	JD
Paid claims	1,923,344	2,136,981
Maturity and Surrender of Policies	5,254,203	4,420,813
Less: Foreign reinsurance share	1,679,999	1,596,636
Net paid claims	5,497,548	4,961,158
Add:		
Outstanding claims reserve at the end of the year		
Reported	1,801,616	1,534,665
Unreported	350,000	350,000
less: Reinsurance share	1,904,126	1,637,692
Net outstanding claims reserve at the end of the year	247,490	246,973
Reported	187,490	186,973
Unreported	60,000	60,000
Less:		
Outstanding Claims Reserve at the beginning of the year		
Reported	1,534,665	1,218,529
Unreported	350,000	350,000
less: Reinsurance share	1,637,692	1,307,529
Net outstanding claims reserve at the beginning of the year	246,973	261,000
Net claims cost	5,498,065	4,947,131

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING PROFITS FOR THE LIFE INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Life	
		2018	2017
		JD	JD
Net earned revenues from written premiums		8,132,386	7,723,849
Less:			
Net claims cost		5,498,065	4,947,131
		2,634,321	2,776,718
Add:			
Commissions income		40,379	39,676
Insurance policies issuance fees		100,589	108,083
Investment revenues related to underwriting accounts	27,28	2,753,795	2,298,813
Other revenues related to underwriting accounts		282,352	137,826
Total revenues		3,177,115	2,584,398
Less:			
Policies acquisition costs		1,481,501	1,371,573
General and administrative expenses related to underwriting accounts		2,831,406	2,710,133
Other expenses related to underwriting accounts		47,343	184,858
Total expenses		4,360,250	4,266,564
Underwriting profit		1,451,186	1,094,552

Al Nisr Al Arabi Insurance Company
Public Shareholding Company
Statement of Under Writing Revenues for the General Insurance
For the Year Ended 31 December 2018

	Motor		Marine and transportation		Fire and property		Liability		Medical		Personal accidents		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premiums:														
Direct insurance	-	-	355,480	400,234	2,598,197	2,567,119	731,369	636,168	19,626,838	12,628,009	264,055	224,921	23,575,939	16,456,451
Facultative inward reinsurance business	-	-	-	-	68,713	98,468	2,316	2,897	-	-	-	-	71,029	101,365
Total Premiums	-	-	355,480	400,234	2,666,910	2,665,587	733,685	639,065	19,626,838	12,628,009	264,055	224,921	23,646,968	16,557,816
Less:														
Local reinsurance share	-	-	8,579	4,384	350,273	454,674	80,145	82,351	-	-	-	-	438,997	541,409
Foreign reinsurance share	-	-	281,293	324,105	2,072,809	1,968,787	455,462	419,818	5,557,607	-	151,913	99,358	8,519,084	2,812,068
Net Written Premiums	-	-	65,608	71,745	243,828	242,126	198,078	136,896	14,069,231	12,628,009	112,142	125,563	14,688,887	13,204,339
Add:														
Balance at the beginning of the year														
Unearned premiums reserve	-	-	93,840	124,597	1,322,048	1,117,059	375,194	328,262	5,277,236	4,048,862	96,664	90,848	7,164,982	5,709,628
Less: Reinsurance share	-	-	76,436	62,663	1,203,996	1,098,394	316,865	305,579	-	-	45,490	61,369	1,642,787	1,528,005
Net Unearned Premiums Reserve	-	-	17,404	61,934	118,052	18,665	58,329	22,683	5,277,236	4,048,862	51,174	29,479	5,522,195	4,181,623
Less:														
Balance at end of the year														
Unearned premiums reserve	-	-	58,484	93,840	1,276,422	1,322,048	390,616	375,194	6,922,719	5,277,236	84,414	96,664	8,732,655	7,164,982
Less : Reinsurance share	-	-	44,632	76,436	1,168,283	1,203,996	300,225	316,865	1,378,485	-	42,054	45,490	2,933,679	1,642,787
Net Unearned Premiums Reserve	-	-	13,852	17,404	108,139	118,052	90,391	58,329	5,544,234	5,277,236	42,360	51,174	5,798,976	5,522,195
Net earned revenues from written premiums	-	-	69,160	116,275	253,741	142,739	166,016	101,250	13,802,233	11,399,635	120,956	103,868	14,412,106	11,863,767

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Motor		Marine and transportation		Fire and property		Liability		Medical		Personal accidents		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	52,324	127,241	51,472	112,775	431,565	282,171	199,694	41,568	16,190,835	9,675,678	69,892	57,452	16,995,782	10,296,885
Less:														
Recoveries	41,763	14,572	13,517	517	1,468	21,279	-	-	505,467	357,216	-	-	562,215	393,584
Local reinsurance share	-	(215)	30	-	28,389	10,412	-	-	-	-	-	-	28,419	10,197
Foreign reinsurance share	25,727	19,660	23,844	72,235	383,656	240,135	198,263	33,797	3,008,560	43,888	36,045	19,608	3,676,095	429,323
Net Paid Claims	(15,166)	93,224	14,081	40,023	18,052	10,345	1,431	7,771	12,676,808	9,274,574	33,847	37,844	12,729,053	9,463,781
Add:														
Outstanding claims reserve at year end:														
Reported	141,566	192,364	605,648	537,289	3,374,186	1,247,998	1,565,482	1,139,942	1,614,584	1,440,120	45,811	96,986	7,347,277	4,654,699
Unreported	100,000	120,000	71,000	71,000	25,000	25,000	30,000	30,000	792,155	600,000	45,000	45,000	1,063,155	891,000
Less:														
Reinsurance share	93,965	102,897	601,723	570,438	3,275,491	1,207,208	1,552,844	1,132,727	380,194	534	58,680	90,592	5,962,897	3,104,396
Recoveries	40,754	68,277	191,981	163,373	581	616	-	-	1,108	743	-	-	234,424	233,009
Net outstanding claims reserve at end of the year	106,847	141,190	(117,056)	(125,522)	123,114	65,174	42,638	37,215	2,025,437	2,038,843	32,131	51,394	2,213,111	2,208,294
Reported	56,847	71,190	(132,056)	(140,522)	118,114	60,174	36,638	31,215	1,387,006	1,438,843	17,131	36,394	1,483,680	1,497,294
Unreported	50,000	70,000	15,000	15,000	5,000	5,000	6,000	6,000	638,431	600,000	15,000	15,000	729,431	711,000
Less:														
Outstanding claims reserve at the beginning of the year														
Reported	192,364	302,362	537,289	602,318	1,247,998	1,291,431	1,139,942	1,089,074	1,440,120	983,442	96,986	72,209	4,654,699	4,340,836
Unreported	120,000	150,000	71,000	71,000	25,000	25,000	30,000	30,000	600,000	500,000	45,000	45,000	891,000	821,000
Less:														
Reinsurance share	102,897	116,396	570,438	620,071	1,207,208	1,247,302	1,132,727	1,079,471	534	534	90,592	73,325	3,104,396	3,137,099
Recoveries	68,277	75,687	163,373	153,662	616	1,998	-	-	743	5,055	-	-	233,009	236,402
Net Outstanding Claims Reserve at the beginning of the year	141,190	260,279	(125,522)	(100,415)	65,174	67,131	37,215	39,603	2,038,843	1,477,853	51,394	43,884	2,208,294	1,788,335
Net Claims Cost	(49,509)	(25,865)	22,547	14,916	75,992	8,388	6,854	5,383	12,663,402	9,835,564	14,584	45,354	12,733,870	9,883,740

AL NISR AL ARABI INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Motor		Marine and transportation		Fire and property		Liability		Medical		Personal accidents		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenues from written premiums	-	-	69,160	116,275	253,741	142,739	166,016	101,250	13,802,233	11,399,635	120,956	103,868	14,412,106	11,863,767
Less: Net claims cost	(49,509)	(25,865)	22,547	14,916	75,992	8,388	6,854	5,383	12,663,402	9,835,564	14,584	45,354	12,733,870	9,883,740
	49,509	25,865	46,613	101,359	177,749	134,351	159,162	95,867	1,138,831	1,564,071	106,372	58,514	1,678,236	1,980,027
Add:														
Commissions received	-	-	97,554	115,907	364,791	360,799	67,402	64,494	-	-	6,015	1,081	535,762	542,281
Insurance policies issuance fees	-	-	26,106	26,043	129,850	125,004	43,090	36,654	497,700	476,296	165,777	124,771	862,523	788,768
Other revenues related to underwriting accounts	3,772	3,279	13,676	27,767	38,773	5,350	-	-	1,007,590	37,268	-	15,856	1,063,811	89,520
Total revenues	3,772	3,279	137,336	169,717	533,414	491,153	110,492	101,148	1,505,290	513,564	171,792	141,708	2,462,096	1,420,569
Less:														
Policies acquisition costs	-	-	20,595	19,605	169,331	135,476	61,559	36,413	122,197	97,333	78,845	32,190	452,527	321,017
Excess of loss premiums	-	31,425	5,225	5,750	50,925	46,550	-	-	16,360	12,791	7,500	7,600	80,010	104,116
General and administrative expenses related to underwriting accounts	17,675	14,757	60,704	47,857	362,034	360,317	101,247	93,376	1,542,802	1,302,014	36,244	32,042	2,120,706	1,850,363
Other expenses related to underwriting Accounts	-	-	1,899	1,608	5,681	5,349	660	548	357,763	34,743	493	833	366,496	43,081
Total Expenses	17,675	46,182	88,423	74,820	587,971	547,692	163,466	130,337	2,039,122	1,446,881	123,082	72,665	3,019,739	2,318,577
Underwriting profit (loss)	35,606	(17,038)	95,526	196,256	123,192	77,812	106,188	66,678	604,999	630,754	155,082	127,557	1,120,593	1,082,019

(1) GENERAL

Al Nisr Al Arabi Insurance Company was established and registered as a Jordanian public shareholding company under No. (207) on 28 September 1989 with JD 2,000,000 Authorized capital and divided into 2,000,000 share at a par value of 1 JD for each. The Company increased its authorized and paid in capital through the years to become 10,000,000 shares at par value of JD 1 each. The last adjustment on capital took place during 2007.

The Company is engaged in insurance business against life and general insurance (marine and transportation, fire and property, liability, medical, personal accident and aviation).

The Company is owned by Arab Bank By 50% as of 31 December 2018.

The consolidated financial statements were approved for issuance by the board of directors in its meeting No. (203) held on 13 February 2019, and it is subject to the approval of the general assembly of the shareholders.

(2) ACCOUNTING POLICIES

(2-1) Basis of preparation the consolidated financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with the forms prescribed by the Jordanian Insurance Commission.

The consolidated financial statements have been prepared on historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value.

The Jordanian Dinar is the functional and reporting currency of the consolidated financial statements.

(2-2) Basis of consolidation

The consolidated financial statements comprise the financial statements of Al Niser Al Arabi Insurance Company (the "Company"), and its subsidiary (referred to together as the "Group") as of the 31 December 2018:

Company's Name	Legal form	Country of Origin	Ownership Percentage
Al Amin Al Arabi Real Estate Company*	Limited Liability Company	Jordan	100%

* Al Amin Al Arabi Real Estate Company was established on 31 August 2004 with JD 458,841 paid in capital, and it is owned by Al Nisr Al Arabi Insurance Company Public Shareholding Company.

The subsidiary is consolidated from the date control achieved, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiary are prepared for the same reporting year as for the Company and using consistent accounting policies.

All intra-group transactions, balances, income, expenses between members of the Group are eliminated in full on consolidation.

(2-3) Changes in accounting policies

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments measured at amortized cost.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category by Credit Rating Agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis.

There was no material impact on the Group's consolidated financial statements from the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

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

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

There was no material impact on the Group's consolidated financial statements from the adoption of IFRS 15.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

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

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.

The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

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

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

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

(2-4) Summary of significant accounting policies

Following is a summary of the significant accounting policies:

Segment reporting
The business segment represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which in measured based on the reports used by the chief operating decision maker.

The geographic segment relates to providing products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Financial assets date of recognition
Purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Fair Value
For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The objective of the valuation method is to show a fair value that reflects market expectations.

Where the fair value of an investment cannot be reliably measured, it is stated at cost less any impairment in the value.

A. Financial assets at amortized cost

Financial assets at amortized cost must be measured if the following conditions are met:

- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows.

- The cash flows according to contractual condition for these assets arise in specific dates and only represent payment for the asset amount and for the interest calculated on these assets.

Assets at amortized cost is recorded at cost upon purchase plus acquisition expenses, the premium/ discount (if any) is amortized by using the effective interest rate method records on the interest or for its account. Any provisions resulted from impairment in its value is deducted and any impairment in its value is recorded in the consolidated statement of income.

The amount of the impairment consists of the difference between the book value and present value of the expects future cash flows discounted at the original effective interest rate.

The standard permits in cases to measure these assets at fair value through statement of income if that eliminates or reduces to a large extent the inconsistency in measurement (sometimes called accounting mismatch) that arise from measurement of assets or liabilities or profit and loss recognition resulted from them in different basis.

B. Financial assets at fair value through other comprehensive income

- Equity investments that are not held for sale in the near future.

- These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of these asset are reclassified from fair value reserve to retained earnings and not through consolidated income statement.

- These financial assets are not subject to impairment testing.

- Dividend income is recognized in the consolidated statement of income.

Impairments in Financial Assets Value

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the recoverable value is estimated in order to determine impairment loss.

Impairment amounts are determined by the following:

- Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.

- Impairment in financial assets at fair value through profit or loss recorded at fair value represents the difference between book value and fair value.

- Impairment of financial assets recorded at cost represents the difference between the book value and the present value of cash flow discounted at the market rate for similar financial assets.

The Impairment in value is recorded in the consolidated statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the statement of income, except for available for sale shares, which is any surplus is taken to fair value reserve.

Investment Properties

Investment properties are stated at cost less accumulated depreciation, and are depreciated (excluding lands) using the straight-line depreciation method over its casted useful life.

Investment properties are revalued accordance to the Insurance Administration's instructions and the related fair value is disclosed in the related note.

Cash and Cash equivalents

For cash flow purpose cash and cash equivalents comprise cash on hand, cash balances with banks and deposit with financial institutions maturing within three months, less bank overdrafts and restricted balances.

Reinsurance Accounts

Reinsurers shares of insurance premiums, paid claims, technical reserve, and all other rights and obligations resulting are calculated based on signed contracts between the Group and reinsures are accounted for based on accrual basis.

Reinsurance

The Group engages within its normal activities a variety of inward and outward reinsurance operations with other insurance and reinsurance firms which involves different level of risks. The reinsurance operations include Quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance contracts do not eliminate the Group's liability towards policy holders, where in the case the reinsurance fails to cover its portion of total liability, the Group bears the total loss. Therefore, the Group provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Group's portion of total liability for each claim.

Impairment in Reinsurance Assets

In case there is any indication as to the impairment of the reinsurance assets of the Group, which possesses the reinsured contract, the Group should reduce the present value of the contracts and record the impairment in the consolidated statement of income,

The impairment is recognized in the following cases only:

1. There is an objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Group's inability to recover all the amounts under the contracts terms.

2. The event has a reliably and clearly measurable effect on the amounts that the Group will recover from reinsures.

Insurance policy acquisition cost

Insurance policies issuance cost represents commissions paid to intermediaries and other direct costs incurred in relation to the issuance and renewal of insurance contracts. These acquisition costs are recorded in the consolidated statement of income.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except lands) is depreciated when its ready for use. Depreciation is computed on a straight-line over its expected useful life using the following depreciation rates, and the depreciation expense is recorded in the consolidated statement of income:

	%
Buildings	2
Equipment, tools and furniture	10 - 20
Elevators	10
Vehicles	15
Decorations	10 - 15
Lease improvements	10
Computers	20

Depreciation expense is calculated when property and equipment is ready for use, property and equipment under construction is stated at cost less impairment loss.

Property and equipment are written down to their recoverable amount, when its recoverable amounts less than the net book value. The impairment loss is recorded in the consolidated statement of income.

The useful lives are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of income.

Any item of property and equipment derecognized upon disposal or when there is no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are classified as finite or infinite. Intangible assets with finite lives are amortized over the useful economic life and the amortization expense is recognized in the consolidated income statement. While intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired. The impairment loss is recorded in the consolidated income statement.

Intangible assets include computer software. These intangible assets are amortized on a rate of 20%.

Pledged financial assets

Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, pledge). A periodic review is performed for those assets. According to the relevant according polices based on original classifications.

Provisions

Provisions are recognized when the Group has an obligation at the date of the financial statements as a result of past events, and the cost to settle the obligation are both probable and measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the preset obligation at the consolidated financial statements date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flow.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

A- Technical Reserves

Technical reserves are provided for in accordance to the Insurance Administration's instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.
2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.
3. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Group.
4. Unearned contributions and premiums reserve is measured based on the Group's experience and estimations.
5. Mathematical reserve is measured in accordance with the instruction and decisions issued by the Insurance Administration.

B- Provision for expected credit losses

The Group has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on all its financial instruments. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

C- End of service indemnity reserve

The end of service indemnity reserve for employees is calculated based on the Group's policy which in compliance with Jordanian labor law.

The paid amounts as end of service for resigned employees are debited to this account. The Group obligation for the end of service is recorded in the consolidated statement of income.

Liability adequacy test

At each statement of financial position date, the Group assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the consolidated statement of income.

Income Tax

Income tax represents current and deferred income tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income. The taxable income differs from the actual income in the statement of income because the accounting income contains nondeductible expenditures and nontaxable revenues in the current year but in the preceding years or the accepted accumulated losses or any other nontaxable or deductibles for tax purposes.

The taxes are calculated based on the laws and regulation in the countries were the Company carry on its operation.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the consolidated financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

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

Offsetting

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

Revenue recognition

A- Insurance policies

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements claims expenses are recognized in the consolidated statement of income based on the expected claim value to compensate the insurance policyholder or other parties.

B- Dividend and interest revenue

The dividends revenues are realized when the shareholder has the right to receive the payment once declared by the General Assembly of Shareholders.

Interest revenues are recorded using the accrual basis based on the accrual periods, principle amount and earned interest rate.

C- Rental income

Rental income from investment properties is accounted for using the straight- line basis over the lease terms.

Expenses recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the consolidated statement of income during the year which it occurred. And in all expenditures, are recognized using the accrual basis.

Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve.

Insurance compensations includes payments made during the year even for the current or prior years. Outstanding claims represent the highest estimated amount to settle the claims resulting from events occurring before the date of financial statements but not settled yet.

Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

Recoverable scraped value is considered when recording the outstanding claim amount.

General and administrative expenses

All distributable general and administrative expenses are allocated to the insurance branches separately according to the actual administrative expenses of each branch separately and in compliance with specific cost centers for various insurance departments. The remaining expenses are stated as unallocated expenses in the consolidated statement of income.

Employee's expenses

All distributable employee expenses are allocated to the insurance branches separately according to the expenditures of each branch in compliance with specific cost centers for various insurance departments. Moreover, the related employee expenses of the Company's subsidiary are stated as unallocated employee expenses.

Insurance policy acquisition cost

Acquisition cost represent the cost incurred by the Group for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in consolidated statement of income.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates. Monetary assets and liabilities in foreign currencies are translated into Jordanian Dinar at rates of exchange prevailing at the consolidated statement of financial position date as issued by Central Bank of Jordan.

Non-monetary assets and liabilities in foreign currencies are translated into respective functional currencies at fair value at the respective date.

Gains and losses resulting from foreign currencies translation shall be recorded in the consolidated statement of income.

Translation differences on non-monetary items carried at fair value (such as stocks) are included as part of the changes in fair value.

Estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management are as follows:

- A provision for expected credit losses is estimated by the management based on their principles and assumptions according to IFRS9.
- The financial year is charged with its related income tax in accordance with regulations.
- The management periodically reviews tangible and intangible assets useful life in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the consolidated statement of income.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to Insurance Administration regulation. Also mathematical reserve and IBNR are calculated based on actuarial studies.
- A provision on lawsuit against the Group is made based on the Group's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so this impairment is taken to the consolidated statement of income.

(3) DEPOSITS AT BANKS

This item consists the following:

	2018				2017
	Deposits due in one month	Deposits due from 1 to 3 months	Deposits due from 3 months to 1 year	Total	Total
	JD	JD	JD	JD	JD
Inside Jordan	9,245,200	-	-	9,245,200	9,144,147
Outside Jordan	1,334,800	-	-	1,334,800	1,092,690
Total	10,580,000	-	-	10,580,000	10,236,837

- The annual interest rate on the deposits in Jordanian Dinar ranged between 5.25% to 5.75% and on the deposit in US Dollar 2.46% during the year ended 31 December 2018 (2017: from 4.75% to 5.25% on deposits in Jordanian dinars and 1.29% on US dollars).

- Deposits pledged in favor of Insurance Administration general manager amounted to JD 325,000 for the year ended 31 December 2018 and 31 December 2017 at Invest Bank.

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item consists of the following:

	2018	2017
	JD	JD
Inside Jordan		
Quoted shares	48,970	48,970
Outside Jordan		
Quoted shares	1,110,276	1,606,825
Quoted investment funds *	3,970,535	1,903,027
Quoted bonds **	632,930	1,875,894
Total	5,713,741	5,385,746
Total of financial assets at fair value through other comprehensive income	5,762,711	5,434,716

*This item represents investment in listed investment funds with an unguaranteed capital and shown at fair value as of the consolidated financial statements date.

Interest rates on bonds outside Jordan ranged from 6.25% to 8.375% for years 2018, 2017.

**The maturity of bonds attends to the following dates:

	From 3 to 6 months	From 6 to 9 months	From 9 months to one year	More than one year	Total
	JD	JD	JD	JD	JD
Outside Jordan					
Quoted bonds	-	-	-	632,930	632,930
Total	-	-	-	632,930	632,930

- These bonds have fixed rates

(5) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:	2018	2017
	JD	JD
Inside Jordan		
Unquoted bonds		
Governmental Bonds	47,774,935	40,895,576
Total	47,774,935	40,895,576
Outside Jordan		
Corporate Bonds	3,777,965	3,326,344
Less: Provision for impairment in financial assets at amortized cost	(105,691)	(105,691)
Total	3,672,274	3,220,653
Total financial assets at amortized cost	51,447,209	44,116,229

The maturity of bonds extends to the following dates:

	From 1 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 months to one year	More than one year	Total
	JD	JD	JD	JD	JD	JD
Inside Jordan						
Governmental Bonds	2,181,969	2,700,380	2,870,184	1,701,244	38,321,158	47,774,935
Outside Jordan						
Corporate Bonds	-	-	-	-	3,672,274	3,672,274
Total	2,181,969	2,700,380	2,870,184	1,701,244	41,993,432	51,447,209

- The interest rates on governmental and corporate bonds denominated in Jordanian Dinar ranged from 4.7% to 8% and on foreign currency bonds ranged from 3.25% to 5.70% during the year ended 31 December 2018.

- These bonds have fixed rates

(6) INVESTMENT IN ASSOCIATE

This item represents the value of the Group's investment in Al-Nisr Al Arabi Real Estate Investment Company (under liquidation) at 50% of its capital of 200,000 as at 31 December 2018. The investment in the associate is presented using the equity method in the consolidated financial statements.

(7) INVESTMENT PROPERTIES

This item consists of the following:

	2018	2017
	JD	JD
Investment land*	940,001	940,001
	940,001	940,001

* The fair value of investment properties has been determined by real estate experts as of 31 December 2017 to be JD 974,580.

(8) LIFE POLICYHOLDERS LOANS

This item consists of the following:

	2018	2017
	JD	JD
Loans to life policyholders which don't exceed the surrender value	6,945,636	5,560,148

The maturity date for loans to life policyholders consists the following:

	More than one year	Total
	JD	JD
Loans to life policy holders	6,945,636	6,945,636

(9) CASH ON HAND AND AT BANKS

This item consists of the following:

	2018	2017
	JD	JD
Cash on hand	1,854	1,788
Current accounts at banks	2,599,120	2,326,139
	2,600,974	2,327,927

(10) CHEQUES UNDER COLLECTION

This item consists of the following:

	2018	2017
	JD	JD
Checks under collection within 6 months	678,333	698,545
Checks under collection after 6 months	70,604	62,106
	748,937	760,651

The maturity dates for checks under collection extend up to 18 February 2020.

(11) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	2018	2017
	JD	JD
Policyholders receivables	9,921,818	9,516,485
Others	4,621	5,902
	9,926,439	9,522,387
Less: Provision for expected credit losses*	(471,621)	(503,698)
Accounts receivable, net	9,454,818	9,018,689

Below is the aging table of receivables:

	Less than 90 days	91-180 days	181-360 days	More than 361 days	Total
	JD	JD	JD	JD	JD
31 December, 2018	8,639,057	1,118,566	147,979	20,837	9,926,439
31 December, 2017	8,498,713	875,736	95,465	52,473	9,522,387

* Movement on the provision for expected credit losses:

	2018	2017
	JD	JD
Balance at the beginning of the year	503,698	493,537
Transferred from reinsurance receivables provision for doubtful debts	8,526	49,953
Written off debts	(40,603)	(39,792)
Balance at the end of the year	471,621	503,698

(12) REINSURANCE RECEIVABLES, NET

This item consists of the following:

	2018	2017
	JD	JD
Local insurance companies	83,348	89,153
Foreign reinsurance companies	93,913	61,841
	177,261	150,994
Less: Provision for doubtful debts of reinsurance receivables *	(53,332)	(61,858)
Net reinsurance receivables	123,929	89,136

The ageing table of the reinsurance receivables is as follows:

	Less than 90 days	91-180 days	181-360 days	More than 361 Days	Total
	JD	JD	JD	JD	JD
31 December, 2018	80,785	18,723	24,421	53,332	177,261
31 December, 2017	70,701	14,709	3,726	61,858	150,994

* The movement on the provision for doubtful debts is as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	61,858	111,811
Transferred to accounts receivable provision for expected credit losses during the year	(8,526)	(49,953)
Balance at the end of the year	53,332	61,858

(13) INCOME TAX

A) Income tax provision

The movement on the income tax provision is as follows:

	2018	2017
	JD	JD
Balance at beginning of the year	334,612	322,172
Income tax paid	(550,062)	(533,705)
Income tax expense for the year	713,851	546,145
Balance at the end of the year	498,401	334,612

B) The income tax expense appearing in the consolidated statement of income represents the following:

	2018	2017
	JD	JD
Income tax for the year	713,851	546,145
Amortization of deferred tax assets	8,228	35,090
	722,079	581,235

Income tax

A final settlement was reached with the Income Tax Department until the end of 2015.

The Company has submitted its income tax return for the years 2016 and 2017 and it is still not reviewed by Income Tax Department until the date of these consolidated financial statements, and in the opinion of the management of the group and the tax consultant the provision taken is adequate.

Sales tax

A final settlement was reached with the Sales Tax Department until the end of December 2015.

Income tax for Al Amin Al Arabi for Real Estate Investment (Subsidiary)

A final settlement was reached with the Income Tax Department up to 31 December 2017 and in the opinion of management of the group and the tax consultant the provision taken is adequate.

C) Deferred tax assets/ liabilities

This item consists of the following:

	2018					2017
	Beginning Balance	Amounts released	Amounts added	Ending Balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
A. Deferred tax asset:						
Provision for expected credit losses	565,556	40,603	-	524,953	125,989	135,733
End of service provision	20,615	-	6,322	26,937	6,464	4,948
Lawsuit provision	201,575	-	-	201,575	48,378	48,378
	787,746	40,603	6,322	753,465	180,831	189,059

	2018					2017
B. Deferred tax liabilities:	JD	JD	JD	JD	JD	JD
Unrealized gain from financial asset at fair value through other comprehensive income	474,013	439,923	-	34,090	3,409	-

Movement on deferred tax asset and liabilities is as follows:

	Liabilities		Assets	
	2018	2017	2018	2017
	JD	JD	JD	JD
Beginning balance	-	-	189,059	224,149
Additions	3,409	-	-	16,936
Releases	-	-	(8,228)	(52,026)
Ending balance	3,409	-	180,831	189,059

D) A summary of the reconciliation between accounting profit and taxable profit is as follows:

	2018	2017
	JD	JD
Accounting profit	3,288,204	2,582,549
Gain (loss) from sale of financial assets at fair value through other comprehensive income	2,792	(898)
Nontaxable income	(1,364,340)	(1,510,669)
Nondeductible expenses	889,608	1,016,020
Taxable profit	2,816,264	2,087,002
Income Tax expense	713,851	546,145
Effective tax rate	21.9%	22.5%
Statutory tax rate	24%	24%

(14) PROPERTY AND EQUIPMENT, NET

This item consists of the following:

	Lands	Buildings	Lease improvement	Elevators	Equipment, tools and furniture	Vehicles	Decorations	Computers	Total
2018 -	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:									
Balance at the beginning of the year	777,480	1,786,131	27,700	57,000	649,144	70,625	954,067	364,512	4,686,659
Additions	-	-	-	-	21,134	13,244	8,965	10,777	54,120
Disposals	-	-	-	-	(16,181)	-	(2,337)	(23,273)	(41,791)
Balance at the end of the year	777,480	1,786,131	27,700	57,000	654,097	83,869	960,695	352,016	4,698,988
Accumulated depreciation:									
Balance at the beginning of the year	-	108,496	14,276	22,800	456,968	21,289	431,744	269,736	1,325,309
Depreciation for the year	-	27,124	5,614	5,700	95,310	9,389	95,188	31,888	270,213
Disposals	-	-	-	-	(16,255)	-	(1,711)	(23,273)	(40,239)
Balance at the end of the year	-	135,620	19,890	28,500	537,023	30,678	525,221	278,351	1,555,283
Net book value	777,480	1,650,511	7,810	28,500	117,074	53,191	435,474	73,665	3,143,705
2017 -									
Cost:									
Balance at the beginning of the year	777,480	1,786,131	26,850	57,000	642,332	70,625	940,028	357,485	4,657,931
Additions	-	-	850	-	8,089	50,000	14,039	7,027	80,005
Disposals	-	-	-	-	(1,277)	(50,000)	-	-	(51,277)
Balance at the end of the year	777,480	1,786,131	27,700	57,000	649,144	70,625	954,067	364,512	4,686,659
Accumulated depreciation:									
Balance at the beginning of the year	-	81,372	7,839	17,100	361,580	55,807	338,699	231,965	1,094,362
Depreciation for the year	-	27,124	6,437	5,700	96,665	8,417	93,045	37,771	275,159
Disposals	-	-	-	-	(1,277)	(42,935)	-	-	(44,212)
Balance at the end of the year	-	108,496	14,276	22,800	456,968	21,289	431,744	269,736	1,325,309
Net book value	777,480	1,677,635	13,424	34,200	192,176	49,336	522,323	94,776	3,361,350

Fully depreciated Property and equipment amounted to JD 248,236 as at 31 December 2018 (2017: JD 190,211).

(15) INTANGIBLE ASSETS, NET

	2018 JD	2017 JD
Balance at the beginning of the year	72,587	67,441
Additions	34,749	32,450
Amortization	(31,343)	(27,304)
Balance at the end of the year	75,993	72,587

(16) OTHER ASSETS

This item consists of the following:

	2018 JD	2017 JD
Accrued revenues	790,977	739,627
Various accrued accounts	937,290	439,397
Prepaid expenses	70,774	86,757
Refundable deposits	11,633	9,524
Others	11,212	11,212
	1,821,886	1,286,517

(17) MATHEMATICAL RESERVE, NET

This item consists of the following:

	2018 JD	2017 JD
Mathematical reserve, net	57,965,374	48,782,179

(18) ACCOUNTS PAYABLE

This item consists of the following:

	2018 JD	2017 JD
Policyholders' payable	188,982	1,534,738
Brokers payable	215,781	187,109
Other payables	19,031	58,373
	423,794	1,780,220

(19) REINSURANCE PAYABLES

The item consists of the following:

	2018	2017
	JD	JD
Local insurance companies	26,501	13,199
Foreign reinsurance companies	2,305,741	1,397,686
Reinsurance refundable deposits	550,675	529,413
	2,882,917	1,940,298

(20) LAWSUIT PROVISION

This item consists of the following:

	2018	2017
	JD	JD
Lawsuit Provision	201,575	201,575
	201,575	201,575

(21) OTHER LIABILITIES

This item consists of the following:

	2018	2017
	JD	JD
Accrued unpaid compensations	835,053	220,303
Various deposits	674,738	296,350
Shareholders deposits	217,000	192,338
Refundable amounts for cancelled contracts/Life	242,797	157,796
Board of Directors' remunerations	38,507	35,000
End of service provision	26,937	20,615
Unearned revenues	12,427	9,658
	2,047,459	932,060

(22) PAID IN CAPITAL

Authorized and paid in capital amounted to JD 10,000,000 divided into 10,000,000 shares the par value of each is JD 1 as at 31 December 2018 (31 December 2017: JD 10,000,000 shares of par value JD 1).

(23) LEGAL RESERVES

Statutory reserve -
This amount accumulated in this reserve represents the transfer from profit before tax at 10% during this year and prior years for the Parent Company and its subsidiary in accordance with the Companies Law and with no more than 25% of the paid-up capital. This reserve is not available for distribution to shareholders. The company stopped in deducting the statutory reserve.

Voluntary reserve -
The amount accumulated in this reserve represents the transfers from profit before tax at maximum of 20% during the prior years, the reserve is used for purposes determined by the Board of Directors; The General Assembly may distribute it in whole or in part as dividends to shareholders.

(24) FAIR VALUE RESERVE

This item represents the change in fair value for financial assets through other comprehensive income as follows:

	2018	2017
	JD	JD
Beginning balance	474,013	98,713
Changes during the year	(439,923)	375,300
Deferred tax liabilities	(3,409)	-
Ending balance	30,681	474,013

(25) RETAINED EARNINGS

The item consists of the following:

	2018	2017
	JD	JD
Balance at the Beginning of the year	2,797,345	3,015,836
Profit for the year	2,566,125	2,001,314
Gain (loss) from financial assets at fair value through other comprehensive income	2,792	(898)
Transfer to reserves	(19,370)	(18,907)
Dividends	(2,000,000)	(2,200,000)
Balance at the end of the year	3,346,892	2,797,345

(26) PROPOSED DIVIDENDS AND DECLARED DIVIDENDS

The Board of Directors recommended to the General Assembly of the Company in its meeting held on 13 February 2019 to distribute cash dividends with an amount of JD 2,500,000 equivalent to 25% of paid-in capital as at 31 December 2018.

The General Assembly of shareholders approved in its ordinary meeting held on 19 April 2018 to distribute cash dividends amounting to JD 2,000,000 equivalent to 20% of paid-in capital as at 31 December 2017. Also, the General assembly in its ordinary meeting of shareholders on 20 April 2017 approved to distribute cash dividends amounting to JD 2,200,000 equivalent to 22% of paid-in capital as at 31 December 2016.

(27) INTEREST INCOME

The item consists of the following:

	2018	2017
	JD	JD
Interest on investment in financial assets at amortized cost	2,428,444	2,270,061
Bank interest	656,815	334,211
Loans interest	232,268	243,654
Total	3,317,527	2,847,926
Amount Transferred to underwriting accounts -Life	2,391,472	1,977,149
Amount Transferred to consolidated statement of income	926,055	870,777

(28) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	2018	2017
	JD	JD
Cash dividends received (financial assets at fair value through other comprehensive income)	411,441	379,673
Net loss from bonds sale	(5,421)	-
	406,020	379,673
Amount transferred to underwriting accounts – Life department	362,323	321,664
Amount transferred to consolidated statement of income	43,697	58,009

(29) EMPLOYEES EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Salaries and bonuses	3,069,560	2,857,100
End of service	6,322	20,615
Social security contribution	471,359	447,998
Travel and transportation	41,604	36,608
Training	24,830	30,520
Total	3,613,675	3,392,841
Amount transferred to underwriting accounts	3,552,876	3,334,302
Amount transferred to consolidated statement of income	60,799	58,539

(30) GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Advertisements	186,541	142,273
Insurance Administration fees	286,652	225,912
Rent expense	37,308	35,686
Stationery and printing	127,178	146,054
Professional fees	91,114	79,757
Fees and commissions	91,613	80,860
Computer expenses	137,743	116,816
Telecommunication and postage	64,042	70,439
Marketing expenses	33,941	26,880
Water, electricity and heating	73,761	69,911
Board of Directors' transportation	27,900	25,200
Donation	29,269	22,129
Subscription	19,080	17,713
Maintenance	50,589	44,307
Hospitality	31,730	31,413
Vehicles expenses	8,588	7,682
Governmental and other fees	42,292	56,489
Cleaning	14,451	11,701
Insurance	153,549	120,050
Others	3,847	206
Total	1,511,188	1,331,478
Allocated general and administrative expenses to the underwriting accounts	1,399,236	1,226,194
Unallocated general and administrative expense to the underwriting accounts	111,952	105,284

(31) EARNINGS PER SHARE

The profit per share is calculated by dividing the profit for the year by the weighted average number of shares during the year.

	2018	2017
Profit for the year/ JD	2,566,125	2,001,314
Weighted average number of shares /share	10,000,000	10,000,000
	JD /Fils	JD /Fils
Basic and diluted earnings per share from current year profit	0/257	0/200

(32) CASH AND CASH EQUIVALENTS

The cash and cash equivalents that appear in the statement of cash flows represent the following:

	2018	2017
	JD	JD
Cash on hands and at banks	2,600,974	2,327,927
Add: deposits at banks maturing within three months	10,580,000	10,236,837
Less: deposit pledge in favor of general manager of Insurance Administration (Note 3)	(325,000)	(325,000)
Net cash and cash equivalents	12,855,974	12,239,764

(33) RELATED PARTY TRANSACTIONS

The Group has entered into transactions with major shareholders, directors and senior management within the normal business activities of the Group. All insurance receivables granted to related parties are considered to be operating and no provision has been made.

Prices polices and terms of the transactions with related parties are approved by the Group's management.

The following represent summary of related parties' transactions:

	Parent company	
	2018	2017
	JD	JD
Consolidated statement of financial position items		
Deposits at Arab Bank	1,334,800	1,092,690
Current accounts at Arab Bank	1,716,474	849,420
Accrued Interest	7,377	3,166
Account Receivables	-	3,291
Outstanding Claims	35,503	35,321
Consolidated statement of income items		
Written premium	-	304,385
Paid Claims	319	506,497
Policies acquisition costs	341,539	316,815
Interest Revenue	22,007	9,512

The following represent benefits summary (salaries and remunerations) for executive management:

	2018	2017
	JD	JD
Salaries and remunerations	464,881	443,634
Board of Directors' transportation	27,900	25,200
	492,781	468,834

(34) RISK MANAGEMENT

The Group manages different kinds of risks through its comprehensive strategy set out to identify risks and ways to address and mitigate them through the Risk Management Unit and the Investment Committee, where the risks are reviewed and the necessary measures taken to address risk and work to reduce and reduce risk. In addition, all duty stations are responsible for identifying risks related to their activities, establishing appropriate control controls and monitoring the continuity of their effectiveness. The Group is exposed to insurance risks, credit risk, liquidity risk and market risk.

Risk management process

The Board of Directors is responsible for the identification and control of risks. In addition, several other parties are responsible for the Group's risk management process.

Risk measurement and reporting systems

Risk monitoring and control, it is made by monitoring the limits allowed for each type of risk. These limits reflect the Group's business strategy and the difference market factors surrounding it.

Information is collected from the different departments of the Group and analyzed to identify the expected risks that may result from it. This information is presented and explained to the Board of Directors.

A- Insurance Risk

1- Insurance risk

Risks of any insurance policy represent the probability of occurrence of the insured accident and the uncertainty of the related claim amount due to the nature of the insurance policy whereby the risks are volatile and unexpected in connection with insurance policies of a certain insurance class. As regards the application of the probability theory on pricing and the reserve, the primary risks facing the Group are that incurred claims and the related payments may exceed the book value of the insurance obligations. This may happen if the probability and risk of claims are greater than expected. As insurance accidents are unstable and vary from one year to another, estimates may differ from the related statistics.

Studies have shown that the more similar the insurance policies are, the nearer the expectations are to the actual loss. Moreover, diversifying the types of insurance risks covered decreases the probability of the overall insurance loss.

The Group mitigates the above risks by diversifying its insurance policies, as well as the improvement of risk changes by carefully selecting and implementing insurance strategies and guidelines, and using reinsurance agreements.

Duplicate Claims

Claims can be duplicated and their amounts can be affected due to different factors. The Group's main insurance business is fire, general accident, marine, medical and life risk insurance. These insurance policies are considered short term and are usually paid within one year from the date of the accident. This helps to reduce the risk of insurance.

2- Claims development

The schedules below show the actual claims (based on management's estimates at year- end) compared to the expectations for the past four years based on the year in which the claims were reported as follows:

Total - Motor Insurance:

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	30,404,259	-	-	-	100,000	30,504,259
After one year	30,447,905	-	-	-	-	30,447,905
After two years	30,471,344	-	-	-	-	30,471,344
After three years	30,518,251	-	-	-	-	30,518,251
After four years	30,523,313	-	-	-	-	30,523,313
Present expectations for the accumulated claims	30,523,313	-	-	-	100,000	30,623,313
Accumulated claims	30,450,367	-	-	-	-	30,450,367
Liability as in the statement of financial position *	72,946	-	-	-	100,000	172,946
Deficit	(119,056)	-	-	-	-	(119,056)

* The liability as stated in the balance sheet amounted to JD 200,812. The difference represents the amount of outstanding claims under settlement for the borders' branches of JD 27,866 as received from the Jordanian Union of Insurance Companies.

Total – Marine and transportation

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	2,135,692	466,684	68,824	69,406	94,370	2,834,976
After one year	2,598,233	467,406	65,839	57,670	-	3,189,148
After two years	2,613,725	467,582	68,647	-	-	3,149,954
After three years	2,585,182	538,336	-	-	-	3,123,518
After four years	2,835,557	-	-	-	-	2,835,557
Present expectations for the accumulated claims	2,835,557	538,336	68,647	57,670	94,370	3,594,580
Accumulated payments	2,353,669	521,287	124,719	80,817	29,421	3,109,913
Liability as in the statement of financial position	481,888	17,049	(56,072)	(23,147)	64,949	484,667
(Deficit) Surplus	(699,865)	(71,652)	177	11,736	-	(759,604)

Total - fire and property:

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	4,278,680	276,360	228,298	165,375	1,699,303	6,648,016
After one year	4,348,464	6,481,168	421,078	1,055,865	-	12,306,575
After two years	4,370,985	6,455,295	418,709	-	-	11,244,989
After three years	4,275,520	6,449,215	-	-	-	10,724,735
After Four years	4,280,564	-	-	-	-	4,280,564
Present expectations for the accumulated claims	4,280,564	6,449,215	418,709	1,055,865	1,699,303	13,903,656
Accumulated payments	3,606,120	6,368,595	137,713	209,388	183,235	10,505,051
Liability as in the statement of financial position Outstanding claims	674,444	80,620	280,996	846,477	1,516,068	3,398,605
Deficit	(1,883)	(6,172,855)	(190,412)	(890,490)	-	(7,255,640)

Total – Life Insurance

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the ended of the year	14,530,163	995,586	1,464,556	1,465,300	2,249,686	20,705,291
After one year	15,196,484	1,766,415	2,327,069	2,235,215	-	21,525,183
After two years	15,233,004	1,691,857	2,207,561	-	-	19,132,422
After three years	15,251,793	1,732,465	-	-	-	16,984,258
After four years	15,271,920	-	-	-	-	15,271,920
Present expectations for the accumulated claims	15,271,920	1,732,465	2,207,561	2,235,215	2,249,686	23,696,847
Accumulated payments	15,184,017	1,833,918	1,990,125	1,871,764	665,407	21,545,231
Liability as in the statement of financial position	87,903	(101,453)	217,436	363,451	1,584,279	2,151,616
Deficit	(741,757)	(736,878)	(743,006)	(769,915)	-	(2,991,556)

Total – Liability Insurance

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the ended of the year	496,111	11,458	16,203	1,777	48,178	573,727
After one year	563,874	1,025,318	34,330	36,912	-	1,660,434
After two years	496,085	1,025,448	34,931	-	-	1,556,464
After three years	565,187	1,495,061	-	-	-	2,060,248
After four years	666,894	-	-	-	-	666,894
Present expectations for the accumulated claims	666,894	1,495,061	34,931	36,912	48,178	2,281,976
Accumulated payments	633,590	23,511	26,439	2,554	400	686,494
Liability as in the statement of financial position	33,304	1,471,550	8,492	34,358	47,778	1,595,482
Deficit	(170,782)	(1,483,603)	(18,728)	(35,136)	-	(1,708,249)

Total –Personal Accident Insurance

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the ended of the year	518,660	11,991	79,574	88,651	65,046	763,922
After one year	498,315	26,284	80,059	83,448	-	688,106
After two years	494,026	19,542	81,154	-	-	594,722
After three years	493,860	19,275	-	-	-	513,135
After four years	492,912	-	-	-	-	492,912
Present expectations for the accumulated claims	492,912	19,275	81,154	83,448	65,046	741,835
Accumulated payments	492,912	17,352	56,234	79,976	4,550	651,024
Liability as in the statement of financial position	-	1,923	24,920	3,472	60,496	90,811
Surplus (Deficit)	25,746	(7,285)	(1,580)	5,204	-	22,085

Total – Medical Insurance

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	43,305,583	5,238,435	5,010,538	6,123,409	11,209,627	70,887,592
After one year	46,240,158	9,036,135	8,719,599	11,448,409	-	75,444,301
After two years	46,334,249	9,076,116	8,699,927	-	-	64,110,292
After three years	46,341,805	9,067,936	-	-	-	55,409,741
After four years	46,625,228	-	-	-	-	46,625,228
Present expectations for the accumulated claims	46,625,228	9,067,936	8,699,927	11,448,409	11,209,627	87,051,127
Accumulated payments	46,339,802	9,067,871	8,699,927	11,402,068	9,135,828	84,645,496
Liability as in the statement of financial position	285,426	65	-	46,341	2,073,799	2,405,631
Deficit	(3,319,645)	(3,829,501)	(3,689,389)	(5,324,999)	-	(16,163,534)

- The amount of recoveries has been subtracted from the total amount of claims mentioned above

3- Insurance Risk Concentrations

The schedules below present risk concentration based on insurance type and the geographical distribution.

Liabilities for insurance policy are concentrated according to the types of insurance as follows:

Insurance types	2018		2017	
	Net	Gross	Net	Gross
	JD	JD	JD	JD
Motor	106,847	200,812	141,190	244,087
Marine and transportation	(103,204)	543,151	(108,118)	538,756
Fire and properties	231,253	4,675,027	183,226	2,594,430
Liability	133,029	1,986,098	95,544	1,545,136
Personal Accident	74,491	175,225	102,568	238,650
Medical	7,569,671	9,328,350	7,316,079	7,316,613
Life	58,427,740	60,474,644	49,293,535	51,109,457
Total	66,439,827	77,383,307	57,024,024	63,587,129

The assets and liabilities of insurance contracts according to geographical distribution are as follows:

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Inside Jordan	83,119,834	70,570,454	73,740,851	60,641,897
Other Middle East Countries	2,289,757	-	-	-
Europe	6,758,861	2,305,740	9,760,930	1,927,099
Asia*	830,823	-	-	-
USA	935,289	-	-	-
Total	93,934,564	72,876,194	83,501,781	62,568,996

*Excluding Jordan and Middle East countries.

The table below presents the total accounts receivables, accounts payables, and off-statement of financial position items according to sector.

	2018			2017		
	Assets	Liabilities	Items off balance sheet	Assets	Liabilities	Items off balance sheet
	JD	JD	JD	JD	JD	JD
By Sector						
Public sector	-	-	-	-	-	-
Private sector	-	-	-	-	-	-
Companies	8,131,008	3,074,117	74,976	8,314,447	3,613,820	57,131
Individuals	1,447,739	232,594	-	793,378	106,698	-
Total	9,578,747	3,306,711	74,976	9,107,825	3,720,518	57,131

4- Reinsurance Risk

As with other Insurance Companies, and for the purpose of reducing the exposure to financial risks that may arise from major insurance claims, the Group, within the normal course of its operations, enters into reinsurance contracts with other parties.

In order to reduce its exposure to major losses arising from the insolvency of reinsurance companies, the Group evaluates the financial position of the reinsurance companies it deals with while monitoring credit concentrations coming from geographic areas and activities or economic components similar to those companies. Moreover, the reinsurance policies issued do not exempt the Group from its obligations towards policyholders. As a result, the Group remains committed to the reinsured claims balance in case the reinsurers are unable to meet their obligations according to the reinsurance contracts.

5- Insurance Risk Sensitivity

The table below shows the possible reasonable effect of the premiums price on the consolidated statement of income and equity keeping all other variables constant.

Insurance type	Change	Effect on the written premiums	Effect on the current year pre-tax profit	Effects on the equity*
	%	JD	JD	JD
Life	10	1,936,622	813,239	618,062
Motor	10	-	-	-
Marine and transportation	10	35,548	6,916	5,256
Fire and property	10	266,691	25,374	19,284
Liability	10	73,369	16,602	12,618
Medical	10	1,962,684	1,380,223	1,048,969
Personal accidents	10	26,406	12,096	9,193
		4,301,320	2,254,450	1,713,382

* Net after deducting income tax effect.

If there is negative change the effect equals the change above with changing the sign.

The table below shows the possible reasonable effects of the claims cost on the consolidated statement of income and equity keeping all other variables constant.

Insurance type	Change	Effects on the paid claims	Effects on the current year pre-Tax profit	Effects on the equity*
	%	JD	JD	JD
Life	10	192,334	(549,807)	(417,853)
Motor	10	5,232	4,951	3,763
Marine and transportation	10	5,147	(2,255)	(1,714)
Fire and property	10	43,157	(7,599)	(5,775)
Liability	10	19,969	(685)	(521)
Medical	10	1,619,084	(1,266,340)	(962,418)
Personal accidents	10	6,989	(1,458)	(1,108)
		1,891,912	(1,823,193)	(1,385,626)

* Net after deducting income tax effect.

If there is negative change the effect equals the change above with changing the sign.

(B) Financial Risks

The Group follows financial policies to manage several risks within a specified strategy. The Group's management observes and controls the risk and determines the most suitable strategic risk distribution procedures for each of the financial assets and liabilities. This risk includes interest rate risk, credit risk, foreign currency risk and market risk.

The Group follows a hedging policy for each of its assets and liabilities when required, the hedging policy is related to future expected risks.

1. Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, currency prices and stock prices. These risks are monitored according to specific policies and procedures and through specialized committees and business units. Market risks include interest rate risk, exchange rate risk and stock prices.

Market risk and its related controls are measured through sensitivity analysis.

- Interest Rate Risk

The Group is exposed to interest rate risk on its assets which are bearing interest such as bank deposits.

The annual interest rate on the deposits in Jordanian Dinar ranged between 5.25% to 5.75% and on the deposit in US Dollar was 2.46% during the year ended 31 December 2018 (2017: from 4.75% to 5.25% On deposits in Jordanian dinars and 1.29% in US dollars) (Note 3).

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates as at 31 December 2018 and 2017, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for one year based on the floating rate financial assets as at 31 December 2018 and 2017.

2018 -

Currency	Change	Effects on the current year pre-tax profit
	%	JD
Jordanian Dinar	1	10,165
US Dollar	1	13,348

If there is negative change the effect equals the change above with changing the sign.

2017 -

Currency	Change	Effects on the current year pre-tax profit
	%	JD
Jordanian Dinar	1	20,324
US Dollar	1	16,580

If there is negative change the effect equals the change above with changing the sign.

Foreign Currencies Risks

The foreign currencies risks are the risks relating to the change in the value of the financial instruments due to the change in the foreign currencies exchange rates. Moreover, the Jordanian Dinar is considered the Group's functional currency. The Board of Directors sets the limits for the financial position of each currency at the Group. Additionally, the foreign currencies positions are monitored daily. Strategies are adopted to ensure that the positions of foreign currencies are maintained within the approved limits.

The Group's transactions in U.S. Dollar have negligible currency risk since the Jordanian Dinar is fixed against the U.S. Dollar (USD 1.41 for each one JD)

2. Liquidity Risk:

Liquidity risk is the risk that the Group will not be able to meet its obligations associated as they fall due. To limit this risk, management has arranged diversified funding sources, manages assets and liabilities, and monitors liquidity on a daily basis and maintains sufficient amount of cash and cash equivalents.

The Group monitors its liquidity by ensuring availability of funds to meet its obligations at their maturity date.

Most of the Group's term deposits as at 31 December 2018 mature within 3 months.

The table below summarizes the maturity profile of the Group's financial liabilities (based on contractual undiscounted payments from the date of the consolidated financial statements):

	Less than month	1 month to 3 months	3-6 months	6 month to 1 year	1-3 years	More than 3 years	Without maturity	Total
	JD	*JD*	*JD*	*JD*	*JD*	*JD*	*JD*	*JD*
2018 -								
Liabilities:								
Accounts payable	423,794	-	-	-	-	-	-	423,794
Accrued expenses	-	378,812	-	-	-	-	-	378,812
Reinsurance payables	-	2,882,917	-	-	-	-	-	2,882,917
Other liabilities	2,047,459	-	-	-	-	-	-	2,047,459
Total liabilities	2,471,253	3,261,729	-	-	-	-	-	5,732,982
Assets	15,402,858	10,501,813	4,213,197	4,847,284	8,313,223	34,313,139	16,343,050	93,934,564

	Less than month	1 month to 3 months	3-6 months	6 month to 1 year	1-3 years	More than 3 years	Without maturity	Total
	JD	*JD*	*JD*	*JD*	*JD*	JD	*JD*	*JD*
2017 -								
Liabilities:								
Accounts payable	1,780,220	-	-	-	-	-	-	1,780,220
Accrued expenses	-	356,207	-	-	-	-	-	356,207
Reinsurance payables	-	1,940,298	-	-	-	-	-	1,940,298
Other liabilities	932,060	-	-	-	-	-	-	932,060
Total liabilities	2,712,280	2,296,505	-	-	-	-	-	5,008,785
Assets	13,851,281	8,575,316	4,028,616	2,661,574	13,875,209	26,908,943	13,600,842	83,501,781

3. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and setting credit limits for majority of customers and monitoring outstanding receivables.

The Group engages in various insurance operations and insures large number of customers.

The largest two customers accounts for 29% of accounts receivable for the year ended 31 December 2018 (2017: 14%).

(35) ANALYSIS OF MAIN SECTORS

A- Background for the Group business sectors

For administrative purposes, the Group has been organized into two segments of business, the general insurance segment which include (fire and property, medical, marine, transportation, accident, liability), and life which includes (life insurance and investment). These two key segments that are used by the Group to show information related to segment reporting. The above two segments also include investments and cash management for the Group's own account. Transactions between business segments are carried out on the basis of estimated market prices and on the same terms as those with which they are dealing with.

B- Geographic concentration of risk

This disclosure illustrates the geographic distribution of the Group's operation, the Group executes its operations mainly in the Kingdom.

The table below shows the geographic distribution of revenues and capital expenditure.

	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total revenues	29,061,968	24,155,255	438,952	388,394	29,500,920	24,543,649
Total Assets	83,119,834	73,740,851	10,814,730	9,760,930	93,934,564	83,501,781
Capital expenditure	88,869	112,455	-	-	88,869	112,455

(36) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios on order to support its business and maximize shareholders value.

The Group manages its capital structure and makes adjustment to it on light of changes in business conditions. No changes were made in the objectives, policies or processes during this year and the prior year.

In the opinion of the Group's management, the regulatory capital is compatible with and adequate to the size of capital and nature of risks to which the Group is exposed.

The amount considered by the Group as capital and solvency ratio, as follows:

	2018	2017
	JD	JD
Capital available	21,092,949	20,967,364
Capital required -		
Assets risks	4,597,027	3,684,294
Policy liabilities	1,030,097	975,158
Reinsurance credit risks	17,394	16,545
Life insurance risk	2,613,141	2,446,375
Total capital required	8,257,659	7,122,372
Solvency ratio*	255%	294%

* The Group's solvency ratio before deducting over limits in "Instructions to invest insurance Group's funds and to determine the nature of the insurance Group's assets and their positions corresponding to their obligations" No. 2 for 2006. The minimum solvency margin is 150% in accordance to Insurance Administrations' regulations.

(37) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

2018 -	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets -			
Deposits at banks	10,580,000	-	10,580,000
Financial assets at fair value through other comprehensive income	-	5,762,711	5,762,711
Financial assets at amortized cost	9,453,777	41,993,432	51,447,209
Investment in associate	-	107,934	107,934
Investment properties	-	940,001	940,001
Life policy holder loans	-	6,945,636	6,945,636
Cash on hands and at bank	2,600,974	-	2,600,974
Checks under collection	748,937	-	748,937
Account receivable, net	9,454,818	-	9,454,818
Reinsurance receivables, net	123,929	-	123,929
Deferred tax assets	180,831	-	180,831
Property and equipment, net	-	3,143,705	3,143,705
Intangible assets, net	-	75,993	75,993
Other assets	1,821,886	-	1,821,886
Total Assets	34,965,152	58,969,412	93,934,564
Liabilities -			
Unearned premiums revenue, net	6,013,852	-	6,013,852
Outstanding claims reserve, net	2,460,601	-	2,460,601
Mathematical reserve, net	-	57,965,374	57,965,374
Account payables	423,794	-	423,794
Accrued expenses	378,812	-	378,812
Reinsurance payable	2,882,917	-	2,882,917
Lawsuit provision	201,575	-	201,575
Income tax provision	498,401	-	498,401
Deferred tax liabilities	3,409	-	3,409
Other liabilities	2,047,459	-	2,047,459
Total Liabilities	14,910,820	57,965,374	72,876,194
Net	20,054,332	1,004,038	21,058,370

2017 -	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets -			
Deposits at banks	10,236,837	-	10,236,837
Financial assets at fair value through other comprehensive income	-	5,434,716	5,434,716
Financial assets at amortized cost	5,207,971	38,908,258	44,116,229
Investment in associate	-	107,934	107,934
Investment properties	-	940,001	940,001
Life policy holder loans	-	5,560,148	5,560,148
Cash on hands and at bank	2,327,927	-	2,327,927
Checks under collection	760,651	-	760,651
Account receivable, net	9,018,689	-	9,018,689
Reinsurance receivables, net	89,136	-	89,136
Deferred tax assets	189,059	-	189,059
Property and equipment, net	-	3,361,350	3,361,350
Intangible assets, net	-	72,587	72,587
Other assets	1,286,517	-	1,286,517
Total Assets	29,116,787	54,384,994	83,501,781
Liabilities -			
Unearned premiums revenue, net	5,786,578	-	5,786,578
Outstanding claims reserve, net	2,455,267	-	2,455,267
Mathematical reserve, net	-	48,782,179	48,782,179
Account payable	1,780,220	-	1,780,220
Accrued expenses	356,207	-	356,207
Reinsurance payables	1,940,298	-	1,940,298
Lawsuit provision	201,575	-	201,575
Income tax provision	334,612	-	334,612
Other liabilities	932,060	-	932,060
Total Liabilities	13,786,817	48,782,179	62,568,996
Net	15,329,970	5,602,815	20,932,785

(38) LAWSUITS AGAINST THE GROUP

The Group is a defendant in number of lawsuits representing legal action and claims related to its ordinary course of business, the management believes that the lawsuits provision recorded as of 31 December 2018 which amounted to JD 734,419 (2017: JD 742,802) is sufficient to meet obligations that may arise from the lawsuits.

There are lawsuits by the Group against third parties, amounted to JD 814,911 As of 31 December 2018 (JD 795,110 as of December 31, 2017) representation accounts receivable and checks returned resulted from the Group's normal business.

(39) CONTINGENT LIABILITIES

As at 31 December 2018, the Group has contingent liabilities represented in letter of guarantees with an amount of JD 74,976 (JD 57,131 as at 31 December 2017).

(40) FAIR VALUE

Financial assets comprise of financial assets and financial liabilities.

The Group uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

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

	level 1	level 2	Total
31 December 2018-	JD	JD	JD
Financial assets at fair value through other comprehensive income	5,762,711	-	5,762,711
Financial assets at amortized cost	-	51,447,209	51,447,209

	level 1	level 2	Total
31 December 2017-	JD	JD	JD
Financial assets at fair value through other comprehensive income	5,434,716	-	5,434,716
Financial assets at amortized cost	-	44,116,229	44,116,229

(41) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 Leases

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

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

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

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

Transition to IFRS 16

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

The new standard will not have any impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

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

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

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

(42) COMPARATIVE FIGURES

Some of the 2017 figures were reclassified to correspond with the 2018 presentation. The reclassifications have no effect on income or equity for the year 2017.

(43) STATEMENT OF FINANCIAL POSITION FOR LIFE

	2018	2017
	JD	JD
Assets -		
Deposits at banks	7,638,760	7,063,418
Financial assets at fair value through other comprehensive income	4,160,677	3,749,954
Financial assets at amortized cost	37,144,885	30,440,198
Investment properties	678,681	648,600
Investment in associate	77,928	74,474
Life policy holder loans	6,945,636	5,560,148
Total investments	56,646,567	47,536,792
Cash on hand and at banks	1,877,903	1,606,269
Checks under collection	540,732	524,849
Account receivable, net	1,754,129	1,876,433
Reinsurance receivables, net	46,087	23,175
Deferred tax assets	45,208	47,264
Property and equipment, net	785,926	840,337
Intangible assets, net	18,998	18,147
Other assets	1,275,320	900,562
Total assets	62,990,870	53,373,828
Liabilities and head office equity		
Technical reserves		
Unearned written premium, net	214,876	264,383
Outstanding claim reserve, net	247,490	246,973
Mathematical reserve, net	57,965,374	48,782,179
Total Technical Reserves	58,427,740	49,293,535
Account payable	105,949	445,055
Reinsurance payables	720,729	485,074
Accrued expenses	208,660	178,103
Income tax provision	348,284	262,692
Other provisions	201,575	201,575
Deferred tax liabilities	852	-
Other liabilities	502,241	233,016
Total Liabilities	60,516,030	51,099,050
Head Office equity		
Head Office current account	1,023,654	1,180,226
Profit for the year	1,451,186	1,094,552
Total liabilities and Head office equity	62,990,870	53,373,828