

**ARAB BANK GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**(Reviewed not Audited)**

**FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2020**

**TOGETHER WITH REVIEW REPORT ON  
INTERIM FINANCIAL STATEMENTS**



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS  
ARAB BANK GROUP  
AMMAN - JORDAN**

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Bank Group as of 30 September 2020, comprising of the interim condensed consolidated statement of financial position as of 30 September 2020 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Amman – Jordan  
28 October 2020

**ARAB BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED**  
**STATEMENT OF FINANCIAL POSITION**

	Notes	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
		USD '000	USD '000
<b><u>ASSETS</u></b>			
Cash and balances with central banks	4	9 843 599	7 905 810
Balances with banks and financial institutions	5	3 729 921	4 258 593
Deposits with banks and financial institutions	6	266 661	313 556
Financial assets at fair value through profit or loss	7	332 579	519 053
Financial derivatives - positive fair value		96 611	54 212
Direct credit facilities at amortized cost	9	24 068 089	23 960 625
Financial assets at fair value through other comprehensive income	8	381 219	385 933
Other financial assets at amortized cost	10	8 629 632	8 894 618
Investments in associates		3 745 163	3 513 651
Fixed assets	11	452 731	461 117
Other assets	12	799 003	792 291
Deferred tax assets		201 870	155 385
<b>Total Assets</b>		<b>52 547 078</b>	<b>51 214 844</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
Banks and financial institutions' deposits		3 554 096	3 761 895
Customers' deposits	13	35 137 260	33 154 995
Cash margin		2 379 563	3 082 753
Financial derivatives - negative fair value		119 981	75 887
Borrowed funds	14	547 330	332 936
Provision for income tax	15	240 223	345 054
Other provisions		234 929	226 521
Other liabilities	16	988 764	1 125 950
Deferred tax liabilities		4 819	6 402
<b>Total Liabilities</b>		<b>43 206 965</b>	<b>42 112 393</b>
<b><u>Equity</u></b>			
Share capital	17	926 615	926 615
Share premium		1 225 747	1 225 747
Statutory reserve	17	926 615	926 615
Voluntary reserve		977 315	977 315
General reserve		1 141 824	1 141 824
General banking risks reserve		221 276	238 952
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		( 205 708)	( 252 925)
Investments revaluation reserve		( 320 966)	( 298 403)
Retained earnings	18	2 806 004	2 584 537
<b>Total Equity Attributable to the Shareholders of the Bank</b>		<b>9 239 618</b>	<b>9 011 173</b>
Non-controlling interests		100 495	91 278
<b>Total Shareholders' Equity</b>		<b>9 340 113</b>	<b>9 102 451</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>52 547 078</b>	<b>51 214 844</b>

The accompanying notes from (1) to (34) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
**(REVIEWED NOT AUDITED)**

	Notes	For the Nine-Month Period Ended 30 September		For the Three-Month Period Ended 30 September	
		2020	2019	2020	2019
		USD '000	USD '000	USD '000	USD '000
<b>REVENUE</b>					
Interest income	19	1 573 812	1 823 988	490 764	612 640
Less: interest expense	20	664 976	817 417	205 349	271 584
<b>Net Interest Income</b>		<b>908 836</b>	<b>1 006 571</b>	<b>285 415</b>	<b>341 056</b>
Net commission income	21	202 194	219 666	67 923	71 755
<b>Net Interest and Commission Income</b>		<b>1 111 030</b>	<b>1 226 237</b>	<b>353 338</b>	<b>412 811</b>
Foreign exchange differences		74 284	83 989	22 849	26 837
Gain from financial assets at fair value through profit or loss	22	2 494	3 277	278	1 101
Dividends from financial assets at fair value through other comprehensive income	8	5 473	6 859	1 009	216
Group's share of profits of associates		244 372	337 382	92 769	107 459
Other revenue / Net	23	37 149	33 110	14 556	11 394
<b>Total Income</b>		<b>1 474 802</b>	<b>1 690 854</b>	<b>484 799</b>	<b>559 818</b>
<b>EXPENSES</b>					
Employees' expenses		376 172	366 520	122 291	121 219
Other expenses		226 941	217 311	82 068	74 204
Depreciation and amortization		46 563	46 226	17 195	14 903
Provision for impairment - ECL		468 184	127 274	159 868	42 186
Other provisions		16 796	21 080	4 330	8 523
<b>Total Expenses</b>		<b>1 134 656</b>	<b>778 411</b>	<b>385 752</b>	<b>261 035</b>
<b>Profit for the Period before Income Tax</b>		<b>340 146</b>	<b>912 443</b>	<b>99 047</b>	<b>298 783</b>
Less: Income tax expense	15	124 910	243 578	35 914	83 128
<b>Profit for the Period</b>		<b>215 236</b>	<b>668 865</b>	<b>63 133</b>	<b>215 655</b>
<b>Attributable to :</b>					
- Bank's shareholders		213 612	671 090	64 510	215 685
- Non-controlling interests		1 624	( 2 225)	( 1 377)	( 30)
<b>Total</b>		<b>215 236</b>	<b>668 865</b>	<b>63 133</b>	<b>215 655</b>
Earnings per share attributable to the Bank's shareholders					
- Basic and Diluted (US Dollars)	30	0.33	1.05	0.10	0.34

The accompanying notes from (1) to (34) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(REVIEWED NOT AUDITED)**

	For the Nine-Month Period Ended 30 September		For the Three-Month Period Ended 30 September	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
<b>Profit for the period</b>	215 236	668 865	63 133	215 655
Add: Other comprehensive income items - after tax				
<b>Items that will be subsequently transferred to the statement of Income</b>				
Exchange differences arising from the translation of foreign operations	57 562	( 15 058)	52 922	( 25 188)
<b>Items that will not be subsequently transferred to the statement of Income</b>				
<b>Net change in fair value of financial assets at fair value through other comprehensive income</b>	<b>( 23 252)</b>	<b>2 016</b>	<b>5 403</b>	<b>( 4 752)</b>
Revaluation (loss) gain on equity instruments at fair value through other comprehensive income	( 23 552)	3 975	5 319	( 5 136)
Gain ( Loss) from sale of financial assets at fair value through other comprehensive income	300	( 1 959)	84	384
<b>Total Other Comprehensive Income Items - after Tax</b>	<b>34 310</b>	<b>( 13 042)</b>	<b>58 325</b>	<b>( 29 940)</b>
<b>Total Comprehensive Income for the Period</b>	<b>249 546</b>	<b>655 823</b>	<b>121 458</b>	<b>185 715</b>
Attributable to :				
- Bank's shareholders	238 244	656 404	120 515	185 225
- Non-controlling interests	11 302	( 581)	943	490
<b>Total</b>	<b>249 546</b>	<b>655 823</b>	<b>121 458</b>	<b>185 715</b>

The accompanying notes from (1) to (34) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(REVIEWED NOT AUDITED)**

Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investments revaluation reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-Controlling Interests	Total Shareholders' Equity
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
<b>For the Nine-Month Period Ended 30 September 2020</b>													
Balance at the beginning of the Period	926 615	1 225 747	926 615	977 315	1 141 824	238 952	1 540 896	(252 925)	(298 403)	2 584 537	9 011 173	91 278	9 102 451
Profit for the period	-	-	-	-	-	-	-	-	-	213 612	213 612	1 624	215 236
Other comprehensive income for the period	-	-	-	-	-	-	-	47 217	(22 585)	-	24 632	9 678	34 310
<b>Total Comprehensive Income for the Period</b>	-	-	-	-	-	-	-	47 217	(22 585)	213 612	238 244	11 302	249 546
Transferred from investments revaluation reserve to retained earnings	18	-	-	-	-	-	-	-	22	(22)	-	-	-
Investments revaluation reserve transferred to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(322)	(322)
Dividends	18	-	-	-	-	-	-	-	-	-	-	(1 763)	(1 763)
Transferred from general banking risk reserve	-	-	-	-	-	(17 676)	-	-	-	17 676	-	-	-
Changes in associates' equity	-	-	-	-	-	-	-	-	-	(3 252)	(3 252)	-	(3 252)
Adjustments during the period	18	-	-	-	-	-	-	-	-	(6 547)	(6 547)	-	(6 547)
<b>Balance at the End of the Period</b>	<b>926 615</b>	<b>1 225 747</b>	<b>926 615</b>	<b>977 315</b>	<b>1 141 824</b>	<b>221 276</b>	<b>1 540 896</b>	<b>(205 708)</b>	<b>(320 966)</b>	<b>2 806 004</b>	<b>9 239 618</b>	<b>100 495</b>	<b>9 340 113</b>
<b>For the Nine-Month Period Ended 30 September 2019</b>													
Balance at the beginning of the period	926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(264 651)	(322 831)	2 192 006	8 573 552	91 037	8 664 589
Effect of IFRS (16) adoption	-	-	-	-	-	-	-	-	-	(5 329)	(5 329)	-	(5 329)
<b>Restated Balance at the beginning of the year</b>	<b>926 615</b>	<b>1 225 747</b>	<b>919 507</b>	<b>977 315</b>	<b>1 141 824</b>	<b>237 124</b>	<b>1 540 896</b>	<b>(264 651)</b>	<b>(322 831)</b>	<b>2 186 677</b>	<b>8 568 223</b>	<b>91 037</b>	<b>8 659 260</b>
Profit for the period	-	-	-	-	-	-	-	-	-	671 090	671 090	(2 225)	668 865
Other comprehensive income for the period	-	-	-	-	-	-	-	(18 149)	3 463	-	(14 686)	1 644	(13 042)
<b>Total Comprehensive Income for the Period</b>	-	-	-	-	-	-	-	(18 149)	3 463	671 090	656 404	(581)	655 823
Transferred from investments revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	1 959	(1 959)	-	-	-
Transferred from general banking risk reserve	-	-	-	-	-	(372)	-	-	-	372	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(417 997)	(417 997)	(2 604)	(420 601)
Changes in associates' equity	-	-	-	-	-	-	-	-	-	(10 304)	(10 304)	-	(10 304)
Adjustments during the period	-	-	-	-	-	-	-	-	-	(3 561)	(3 561)	-	(3 561)
<b>Balance at the End of the Period</b>	<b>926 615</b>	<b>1 225 747</b>	<b>919 507</b>	<b>977 315</b>	<b>1 141 824</b>	<b>236 752</b>	<b>1 540 896</b>	<b>(282 800)</b>	<b>(317 409)</b>	<b>2 424 318</b>	<b>8 792 765</b>	<b>87 852</b>	<b>8 880 617</b>

\* The retained earnings include restricted deferred tax assets in the amount of USD 201.9 million, as well as, restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances as a result of the adoption of certain Accounting Standards amounted to USD 2.8 million as of September 30, 2020.

\* The Bank cannot use a restricted amount of USD (321) million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of September 30, 2020.

The accompanying notes from (1) to (34) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(REVIEWED NOT AUDITED)**

	Notes	For the Nine-Month Period Ended 30 September	
		2020	2019
		USD '000	USD '000
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
<b>Profit for the period before tax</b>		<b>340 146</b>	<b>912 443</b>
Adjustments for:			
Group's share of profits of associates		( 244 372)	( 337 382)
Depreciation and amortization		46 563	46 226
Expected credit losses on financial assets		468 184	127 274
Net accrued interest		( 17 228)	37 357
(Gain) from sale of fixed assets		( 549)	( 415)
Dividends on financial assets at fair value through other comprehensive income		( 5 473)	( 6 859)
Loss (gain) from revaluation of financial assets at fair value through profit or loss	22	480	( 696)
Other provisions		16 796	21 080
<b>Total</b>		<b>604 547</b>	<b>799 028</b>
<b><u>(Increase) decrease in assets:</u></b>			
Balances with central banks (maturing after 3 months)		67 963	10 972
Deposits with banks and financial institutions (maturing after 3 months)		46 253	( 60 309)
Direct credit facilities at amortized cost		( 464 213)	( 257 268)
Financial assets at fair value through profit or loss		185 994	118 808
Other assets and financial derivatives		( 57 997)	( 119 038)
<b><u>Increase (decrease) in liabilities:</u></b>			
Banks' and financial institutions' deposits (maturing after 3 months)		( 20 839)	( 55 377)
Customer's deposits		1 982 265	391 645
Cash margin		( 703 190)	( 72 411)
Other liabilities and financial derivatives		( 72 720)	24 826
<b>Net Cash Flows from Operating Activities before Income Tax</b>		<b>1 568 063</b>	<b>780 876</b>
Income tax paid	15	( 277 718)	( 293 177)
<b>Net Cash Flows from Operating Activities</b>		<b>1 290 345</b>	<b>487 699</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Purchase) of financial assets at fair value through other comprehensive income		( 17 871)	( 13 393)
Maturity (Purchase) of other financial assets at amortized cost		263 040	( 349 330)
(Increase) of investments in associates		( 139 946)	( 1 919)
Dividends received from associates		143 358	222 938
Dividends received from financial assets at fair value through other comprehensive income		5 473	6 859
(Increase) in fixed assets - net		( 37 628)	( 46 459)
<b>Net Cash Flows from (Used in) Investing Activities</b>		<b>216 426</b>	<b>( 181 304)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in borrowed funds		214 394	61 722
Dividends paid to shareholders		( 800)	( 414 721)
Dividends paid to non-controlling interests		( 1 763)	( 2 604)
<b>Net Cash Flows from (used in) Financing Activities</b>		<b>211 831</b>	<b>( 355 603)</b>
Net increase (decrease) in cash and cash equivalents		1 718 602	( 49 208)
Exchange differences - change in foreign exchange rates		47 217	( 18 149)
Cash and cash equivalents at the beginning of the Year		8 815 119	7 367 430
<b>Cash and Cash Equivalents at the End of the Period</b>	31	<b>10 580 938</b>	<b>7 300 073</b>
<b>Operational Cash Flows form Interest</b>			
Interest Paid		702 030	781 583
Interest Received		1 593 638	1 825 511

The accompanying notes from (1) to (34) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2020**  
**(REVIEWED NOT AUDITED)**

**1. GENERAL INFORMATION**

- Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman - Hashemite Kingdom of Jordan and the Bank operates worldwide through its 82 branches in Jordan and 128 branches abroad. Also, the Bank operates through its subsidiaries and Arab Bank (Switzerland) limited.
- Arab Bank Plc shares are traded on Amman Stock Exchange. The shareholders of Arab Bank PLC are the same shareholders of Arab Bank Switzerland (every 18 shares of Arab Bank PLC equal/ traded for 1 share of Arab Bank Switzerland).
- The accompanying interim condensed consolidated financial statements was approved by the Board of Directors in its meeting Number (4) on 26 October 2020.

**2. BASIS OF CONSOLIDATION**

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

Company Name	Percentage of ownership%		Date of acquisition	Principal Activity	Place of Incorporation	Paid up capital
	September 30, 2020	December 31, 2019				
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 570m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 119.3m
Islamic International Arab Bank plc	100.00	100.00	1997	Banking	Jordan	JD 100m
Arab National Leasing Company LLC	100.00	100.00	1996	Financial Leasing	Jordan	JD 50m
Al-Arabi Investment Group LLC	100.00	100.00	1996	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	100.00	2008	Banking	Sudan	SDG 117.5m
Al Arabi Investment Group / Palestine	100.00	100.00	2009	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	1982	Banking	Tunisia	TND 100m
Arab Bank Syria	51.29	51.29	2005	Banking	Syria	SYP 5.05b
Al Nisr Al Arabi Insurance Company	50.00	50.00	2006	Insurance	Jordan	JD 10m



- The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.
- The interim condensed consolidated financial statements of subsidiaries is prepared using the same accounting policies used by the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.
- The results of operations of the subsidiaries are included in the interim condensed consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary by the Group. The results of operations of subsidiaries disposed are included in the interim condensed consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.
- Upon consolidation of the interim condensed consolidated financial statements, inter-Group transactions and balances between Arab Bank plc and Arab Bank (Switzerland) Limited and other subsidiaries are eliminated. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within shareholders' equity in the interim condensed consolidated statement of financial position.

### **3. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES**

- The accompanying interim condensed consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".
- The interim condensed consolidated financial statements are prepared in accordance with the historical cost principle, except for certain financial assets and financial liabilities which are stated at fair value as of the date of the interim condensed consolidated financial statements.
- The accompanying interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards and must be read with the consolidated financial statements of the Group as of 31 December 2019. In addition, the results of the Group's operations for the nine months ended 30 September 2020 do not necessarily represent indications of the expected results for the year ending 31 December 2020, and do not contain the appropriation of the profit of the current period, which is usually performed at year end.

### **Changes in accounting policies**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019 except for the adoption of new standards effective as of January 1, 2020 shown below:

#### **Amendments to IFRS 3: Definition of a Business**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. The amendments do not have any impact on the Group's interim condensed consolidated financial statements.

#### **Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7**

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

The amendments do not have any impact on the Group's interim condensed consolidated financial statements.

## **Use of estimate**

### **Provisions for impairment - ECL**

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

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

### **Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology**

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

- **Assessment of Significant Increase in Credit Risk**

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

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

1. We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. Instruments which are 45 days past due have experienced a significant increase in credit risk. Central Bank of Jordan in its instructions requested to apply 60 days past due for significant increase in credit risk which is subject to decrease to 30 days in 3 years. Arab Bank applies 45 days past due in this regard.

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

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

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

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

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

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

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Due to the recent development and the abnormal situation resulted from COVID-19, an additional downside scenario was used by the management for calculating the ECL for the period ended 30 September 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the period ended 30 September 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weights to the downside scenarios.

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

- **Definition of default**

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

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

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

- **Expected Life**

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

#### 4. CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as follows:

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Cash in vaults	717 466	533 785
Balances with central banks:		
Current accounts	4 513 625	2 378 879
Time and notice	3 144 665	2 776 743
Mandatory cash reserve	1 367 023	1 760 665
Certificates of deposit	210 956	464 546
<u>Less: Net ECL Charges</u>	<u>( 110 136)</u>	<u>( 8 808)</u>
<b>Total</b>	<b><u>9 843 599</u></b>	<b><u>7 905 810</u></b>

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.
- Balances and certificates of deposits maturing after three months amounted to USD 25 million as of September 30, 2020 (USD 93 million as of December 31, 2019).

The movement of ECL charges on Balances with Central Banks is as follows:

	30 September 2020 (Reviewed not Audited)			31 December 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
<b>Balance at the beginning of the period \ year</b>	2 792	6 016	-	8 808	1 746
Net ECL Charges for the period/ year	792	100 623	-	101 415	7 033
Adjustments during the period and translation adjustments	( 87)	-	-	( 87)	29
<b>Balance at the end of the period \ Year</b>	<b><u>3 497</u></b>	<b><u>106 639</u></b>	<b><u>-</u></b>	<b><u>110 136</u></b>	<b><u>8 808</u></b>

#### 5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

##### Local banks and financial institutions

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Current Accounts	4 993	3 637
Time deposits maturing within 3 months	121 274	169 293
<b>Total</b>	<b><u>126 267</u></b>	<b><u>172 930</u></b>

##### Banks and financial institutions abroad

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Current accounts	1 588 127	1 899 046
Time deposits maturing within 3 months	1 959 604	2 132 930
Certificates of deposit maturing within 3 months	58 625	56 025
<b>Total</b>	<b><u>3 606 356</u></b>	<b><u>4 088 001</u></b>
<u>Less: Net ECL Charges</u>	<u>( 2 702)</u>	<u>( 2 338)</u>
<b>Total balances with banks and financial institutions local and abroad</b>	<b><u>3 729 921</u></b>	<b><u>4 258 593</u></b>

- There are no non-interest bearing balances as of September 30, 2020 and December 31, 2019.
- There are no restricted balances as of September 30, 2020 and December 31, 2019.

The movement of ECL charges on Balances with Banks & Financial Institutions is as follows:

	30 September 2020 (Reviewed not Audited)			31 December 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the Period \ year	2 338	-	-	2 338	1 550
Net ECL Charges for the period / year	298	-	-	298	773
Adjustments during the period and translation adjustments	66	-	-	66	15
<b>Balance at the end of the period \ year</b>	<b>2 702</b>	<b>-</b>	<b>-</b>	<b>2 702</b>	<b>2 338</b>

## 6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

### Deposits with Local Banks and Financial Institutions:

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	16 812	-
Time deposits maturing after 9 months and before a year	20 552	-
Time deposits maturing after one year	48 473	167 726
<b>Total</b>	<b>85 837</b>	<b>167 726</b>

### Deposits with Banks and Financial Institutions Abroad:

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	97 932	33 883
Time deposits maturing after 6 months and before 9 months	32 565	57 600
Time deposits maturing after 9 months and before a year	48 848	-
Time deposits maturing after one year	3 886	-
Certificates of deposits maturing after 9 months and before a year	-	56 025
<b>Total</b>	<b>183 231</b>	<b>147 508</b>
<b>Less: Net ECL Charges</b>	<b>( 2 407)</b>	<b>( 1 678)</b>
<b>Total deposits with banks and financial institutions Local and Abroad</b>	<b>266 661</b>	<b>313 556</b>

- There are no restricted deposits as of September 30, 2020 and December 31, 2019.

The movement of ECL charges on Deposits with Banks & Financial Institutions is as follows:

	30 September 2020 (Reviewed not Audited)			31 December 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the Period \ year	1 678	-	-	1 678	2 517
Net ECL Charges for the period/ year	708	-	-	708	(863)
Adjustments during the period and translation adjustments	21	-	-	21	24
<b>Balance at the end of the period \ year</b>	<b>2 407</b>	<b>-</b>	<b>-</b>	<b>2 407</b>	<b>1 678</b>

7- **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not</b> <b>Audited)</b>	<b>31 December</b> <b>2019</b> <b>(Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Treasury bills and Governmental bonds	109 565	207 411
Corporate bonds	205 697	257 574
Loans and advances	-	29 624
Corporate shares	1 217	1 767
Mutual funds	16 100	22 677
<b>Total</b>	<b>332 579</b>	<b>519 053</b>

8- **FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not</b> <b>Audited)</b>	<b>31 December</b> <b>2019</b> <b>(Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Quoted shares	114 989	133 480
Unquoted shares	266 230	252 453
<b>Total</b>	<b>381 219</b>	<b>385 933</b>

- Cash dividends from the investments above amounted to USD 5.5 million for the nine months period ended September 30, 2020 (USD 6.9 millions for the nine months period ended September 30, 2019).



## 9- DIRECT CREDIT FACILITIES AT AMORTIZED COST

The details of this item are as follows:

	<b>30 September 2020</b>					<b>Total</b>
	<b>(Reviewed not Audited)</b>					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
<b>USD '000</b>	Small and Medium	Large	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	
Discounted bills *	70 286	96 102	505 605	125 029	2 059	799 081
Overdrafts *	106 244	1 148 891	3 522 296	4 837	341 462	5 123 730
Loans and advances *	3 537 810	1 904 918	11 517 662	32 626	920 494	17 913 510
Real-estate loans	2 297 793	137 782	204 048	-	-	2 639 623
Credit cards	186 584	-	-	-	-	186 584
<b>Total</b>	<b>6 198 717</b>	<b>3 287 693</b>	<b>15 749 611</b>	<b>162 492</b>	<b>1 264 015</b>	<b>26 662 528</b>
<u>Less:</u> Interest and commission in suspense	94 709	111 100	407 267	55	-	613 131
Provision for impairment - ECL	236 153	275 888	1 457 572	4 554	7 141	1 981 308
<b>Total</b>	<b>330 862</b>	<b>386 988</b>	<b>1 864 839</b>	<b>4 609</b>	<b>7 141</b>	<b>2 594 439</b>
<b>Net Direct Credit Facilities At Amortized Cost</b>	<b>5 867 855</b>	<b>2 900 705</b>	<b>13 884 772</b>	<b>157 883</b>	<b>1 256 874</b>	<b>24 068 089</b>

\* Net of interest and commission received in advance which amounted to USD 123 million as of September 30,2020.

- Rescheduled loans during the nine months period ended September 30,2020 amounted to USD 331.8 million .
- Restructured loans (transferred from non performing to watch list loans) during the nine months period ended September 30,2020 amounted to USD 7.7 million.
- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to USD 63.7 million, or 0.2% of total direct credit facilities as of September 30,2020.
- Non-performing direct credit facilities amounted to USD 2366.5 million, or 8.9% of total direct credit facilities as of September 30, 2020.
- Non-performing direct credit facilities net of interest and commission in suspense amounted to USD 1772.6 million, or 6.8% of direct credit facilities after deducting interest and commission in suspense as of September 30,2020.

**31 December 2019**

**(Audited)**

	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Discounted bills *	72 273	135 087	495 919	218 956	40 575	962 810
Overdrafts *	111 828	1 258 110	3 340 082	5 044	307 513	5 022 577
Loans and advances *	3 248 797	1 786 258	11 596 328	32 627	707 599	17 371 609
Real-estate loans	2 228 624	165 225	201 243	-	-	2 595 092
Credit cards	182 689	-	-	-	-	182 689
<b>Total</b>	<b>5 844 211</b>	<b>3 344 680</b>	<b>15 633 572</b>	<b>256 627</b>	<b>1 055 687</b>	<b>26 134 777</b>
<u>Less: Interest and commission in suspense</u>	71 191	110 022	359 718	59	-	540 990
Provision for impairment - ECL	165 691	236 333	1 222 169	5 013	3 956	1 633 162
<b>Total</b>	<b>236 882</b>	<b>346 355</b>	<b>1 581 887</b>	<b>5 072</b>	<b>3 956</b>	<b>2 174 152</b>
<b>Net Direct Credit Facilities at Amortized Cost</b>	<b>5 607 329</b>	<b>2 998 325</b>	<b>14 051 685</b>	<b>251 555</b>	<b>1 051 731</b>	<b>23 960 625</b>

\* Net of interest and commission received in advance, which amounted to USD 136.2 million as of December 31, 2019.

- Rescheduled loans during the year ended December 31, 2019 amounted to USD 1105.8 million.

- Restructured loans (transferred from non performing to watch list loans) during the year ended December 31, 2019 amounted to USD 2.9 million.

- Direct credit facilities granted to and guaranteed by the government of Jordan as of December 31, 2019 amounted to USD 116.6 million, or 0.5% of total direct credit facilities.

- Non-performing direct credit facilities as of December 31, 2019 amounted to USD 1929.1 million, or 7.4% of total direct credit facilities.

- Non-performing direct credit facilities net of interest and commission in suspense as of December 31, 2019 amounted to USD 1412.6 million, or 5.5% of direct credit facilities, after deducting interest and commission in suspense.

The details of movement on the provision for impairment of the ECL as of September 30, 2020 are as follows:

	30 September 2020 (Reviewed not Audited)			
	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the beginning of the year</b>	<b>94 539</b>	<b>319 979</b>	<b>1 218 644</b>	<b>1 633 162</b>
Transferred to Stage 1	3 009	( 2 612)	( 397)	-
Transferred to Stage 2	( 3 910)	4 252	( 342)	-
Transferred to Stage 3	( 1 595)	( 20 327)	21 922	-
Net ECL Charges for the period	35 239	105 601	215 909	<b>356 749</b>
Used from provision (written off or transferred to off interim condensed consolidated statement of financial position)	-	( 571)	( 2 798)	<b>( 3 369)</b>
Adjustments during the period and translation adjustments	1 701	3 292	( 10 227)	<b>( 5 234)</b>
<b>Balance at the end of the period</b>	<b>128 983</b>	<b>409 614</b>	<b>1 442 711</b>	<b>1 981 308</b>

The details of movement on the provision for impairment of the ECL as of December 31, 2019 are as follows:

	31 December 2019 (Audited)			
	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the beginning of the year</b>	<b>86 435</b>	<b>302 549</b>	<b>1 184 949</b>	<b>1 573 933</b>
Transferred to Stage 1	8 403	( 8 367)	( 36)	-
Transferred to Stage 2	( 2 328)	2 748	( 420)	-
Transferred to Stage 3	( 681)	( 41 470)	42 151	-
Net ECL Charges for the year	( 1 067)	62 265	138 697	<b>199 895</b>
Used from provision (written off or transferred to off consolidated statement of financial position)	-	-	( 155 893)	<b>( 155 893)</b>
Adjustments during the period and translation adjustments	3 777	2 254	9 196	<b>15 227</b>
<b>Balance at the end of the year</b>	<b>94 539</b>	<b>319 979</b>	<b>1 218 644</b>	<b>1 633 162</b>

- There are no provisions no longer required as a result of settlement or repayment, transferred to other non-performing direct credit facilities as of September 30, 2020 and December 31, 2019.

- Impairment is assessed based on individual customer accounts.

\* Non-performing loans transferred to off interim condensed consolidated statement of financial position amounted to USD 0.4 million as of September 30, 2020 ( USD 152.6 million as of December 31, 2019) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

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

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
<b>Balance at the beginning of the period</b>	<b>71 191</b>	<b>110 022</b>	<b>359 718</b>	<b>59</b>	<b>-</b>	<b>540 990</b>
Interest and commissions suspended during the period	18 971	14 624	72 951	-	-	106 546
Interest and commissions in suspense settled / written off or transferred to off condensed consolidated interim statement of financial position	( 1 251)	( 3 650)	( 2 712)	-	-	( 7 613)
Recoveries	( 2 951)	( 1 122)	( 15 532)	-	-	( 19 605)
Adjustments during the period	8 488	( 8 488)	-	-	-	-
Translation adjustments	261	( 286)	( 7 158)	(4)	-	( 7 187)
<b>Balance at the End of the Period</b>	<b>94 709</b>	<b>111 100</b>	<b>407 267</b>	<b>55</b>	<b>-</b>	<b>613 131</b>

	<b>31 December 2019</b> <b>(Audited)</b>					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
<b>Balance at the beginning of the year</b>	<b>73 128</b>	<b>98 914</b>	<b>273 939</b>	<b>7 955</b>	<b>-</b>	<b>453 936</b>
Interest and commissions suspended during the year	18 020	19 913	94 017	1 581	-	133 531
Interest and commissions in suspense settled / written off or transferred to off consolidated statement of financial position	( 15 621)	( 7 146)	( 3 858)	( 9 534)	-	( 36 159)
Recoveries	( 3 561)	( 4 095)	( 5 256)	-	-	( 12 912)
Adjustment during the year	(33)	(190)	166	57	-	-
Translation adjustments	( 742)	2 626	710	-	-	2 594
<b>Balance at the End of the Year</b>	<b>71 191</b>	<b>110 022</b>	<b>359 718</b>	<b>59</b>	<b>-</b>	<b>540 990</b>

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

	Inside Jordan	Outside Jordan	30 September 2020	31 December 2019
			(Reviewed not Audited)	(Audited)
	USD '000	USD '000	USD '000	USD '000
Consumer Banking	3 007 717	2 860 138	5 867 855	5 607 329
Industry and mining	1 561 885	3 082 952	4 644 837	4 609 887
Constructions	463 196	1 477 645	1 940 841	1 949 459
Real - Estates	344 455	811 524	1 155 979	1 851 056
Trade	1 428 737	2 975 155	4 403 892	4 201 680
Agriculture	155 242	150 721	305 963	357 273
Tourism and Hotels	236 275	353 343	589 618	572 124
Transportations	104 253	208 905	313 158	341 686
Shares	-	10 487	10 487	11 984
General Services	805 093	2 615 609	3 420 702	3 154 861
Banks and Financial Institutions	7 520	150 363	157 883	251 555
Government and Public Sector	159 001	1 097 873	1 256 874	1 051 731
<b>Net Direct Credit Facilities at amortized Cost</b>	<b>8 273 374</b>	<b>15 794 715</b>	<b>24 068 089</b>	<b>23 960 625</b>

**10- OTHER FINANCIAL ASSETS AT AMOTIZED COST**

The details of this item are as follows:

	<b>30 September 2020</b> (Reviewed not Audited)	<b>31 December</b> <b>2019</b> (Audited)
	<b>USD '000</b>	<b>USD '000</b>
Treasury bills	2 228 391	2 220 784
Governmental bonds and bonds guaranteed by the government	5 136 715	5 180 877
Corporate bonds	1 305 925	1 533 674
Less: Net ECL Charges	( 41 399)	( 40 717)
<b>Total</b>	<b>8 629 632</b>	<b>8 894 618</b>

Analysis of bonds based on interest nature:

	<b>30 September 2020</b> (Reviewed not Audited)	<b>31 December</b> <b>2019</b> (Audited)
	<b>USD '000</b>	<b>USD '000</b>
Floating interest rate	529 678	647 408
Fixed interest rate	8 141 353	8 287 927
Less: Net ECL Charges	( 41 399)	( 40 717)
<b>Total</b>	<b>8 629 632</b>	<b>8 894 618</b>

Analysis of financial assets based on market quotation:

	<b>30 September 2020</b> (Reviewed not Audited)	<b>31 December</b> <b>2019</b> (Audited)
	<b>USD '000</b>	<b>USD '000</b>
<b>Financial assets quoted in the market:</b>		
Treasury bills	388 455	663 617
Governmental bonds and bonds guaranteed by the government	1 037 164	988 913
Corporate bonds	1 188 723	1 428 472
<b>Total</b>	<b>2 614 342</b>	<b>3 081 002</b>

	<b>30 September 2020</b> (Reviewed not Audited)	<b>31 December</b> <b>2019</b> (Audited)
	<b>USD '000</b>	<b>USD '000</b>
<b>Financial assets unquoted in the market:</b>		
Treasury bills	1 839 936	1 557 167
Governmental bonds and bonds guaranteed by the government	4 099 551	4 191 964
Corporate bonds	117 202	105 202
<b>Total</b>	<b>6 056 689</b>	<b>5 854 333</b>
Less: Net ECL Charges	( 41 399)	( 40 717)
<b>Grand Total</b>	<b>8 629 632</b>	<b>8 894 618</b>

The movement of ECL charges on Other Financial Assets at Amortized Cost is as follows:

	<b>30 September 2020</b> (Reviewed not Audited)			<b>31 December 2019</b> (Audited)	
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Total</b>
<b>Balance at the beginning of the period / year</b>	<b>17 153</b>	<b>18 788</b>	<b>4 776</b>	<b>40 717</b>	<b>40 516</b>
Transfer to Stage (1)	-	-	-	-	-
Transfer to Stage (2)	( 47)	47	-	-	-
Transfer to Stage (3)	-	-	-	-	-
Net ECL Charges for the period / year	1 138	1 104	( 296)	1 946	184
Investments written off	-	-	( 3 697)	( 3 697)	-
Adjustments during the period and translation adjustments	1 725	708	-	2 433	17
<b>Balance at the end of the period \ Year</b>	<b>19 969</b>	<b>20 647</b>	<b>783</b>	<b>41 399</b>	<b>40 717</b>

During the nine months period ended September 30, 2020 certain financial assets at amortized cost with a total amount of USD 77.8 million were sold ( USD 10.2 million during the year ended December 31, 2019).

## 11- FIXED ASSETS

The additions to and disposals of fixed assets during the nine months period ended September 30, 2020 amounted to USD 100.9 million and USD 74.2 million respectively (USD 43.2 million and USD 13.4 million for the nine months period ended September 30, 2019).

The cost of fully depreciated fixed assets amounted to USD 322.7 million as of September 30, 2020 (USD 293.7 million as of December 31, 2019)

## 12- OTHER ASSETS

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	<b>31 December</b> <b>2019</b> <b>(Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Accrued interest receivable	193 282	213 108
Prepaid expenses	93 455	100 410
Foreclosed assets *	150 186	121 457
Intangible assets	31 575	29 820
Right-of-use Assets	87 859	98 608
Other miscellaneous assets	242 646	228 888
<b>Total</b>	<b>799 003</b>	<b>792 291</b>

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

### 13- CUSTOMERS' DEPOSITS

The details of this item are as follows:

	30 September 2020 (Reviewed not Audited)				
	Consumer Banking	Corporates		Government and Public Sector	Total
	USD '000	Small & Medium USD '000	Large USD '000	USD '000	USD '000
Current and demand	9 506 844	2 393 635	2 473 848	210 015	14 584 342
Savings	3 409 712	108 160	21 560	50 283	3 589 715
Time and notice	9 469 648	1 178 624	3 990 190	1 635 998	16 274 460
Certificates of deposit	484 206	54 414	131 272	18 851	688 743
<b>Total</b>	<b>22 870 410</b>	<b>3 734 833</b>	<b>6 616 870</b>	<b>1 915 147</b>	<b>35 137 260</b>

	31 December 2019 (Audited)				
	Consumer Banking	Corporates		Government and Public Sector	Total
	USD '000	Small & Medium USD '000	Large USD '000	USD '000	USD '000
Current and demand	7 707 130	2 161 544	2 087 225	219 873	12 175 772
Savings	3 139 015	100 503	15 204	10 545	3 265 267
Time and notice	9 302 986	1 128 913	4 914 718	1 763 826	17 110 443
Certificates of deposit	406 515	29 008	119 607	48 383	603 513
<b>Total</b>	<b>20 555 646</b>	<b>3 419 968</b>	<b>7 136 754</b>	<b>2 042 627</b>	<b>33 154 995</b>

- Total Government of Jordan and Jordanian public sector deposits amounted to USD 1003.7 millions, or 2.9% of total customer's deposits as of September 30, 2020 (USD 869.8 million, or 2.6% of total customer's deposits as of December 31, 2019).
- Non-interest bearing deposits amounted to USD 13164.7 million, or 37.5% of total customer's deposits as of September 30, 2020 (USD 10968.4 million, or 33.1% of total customer's deposits as of December 31, 2019).
- Blocked deposits amounted to USD 148.6 million, or 0.4% of total customer's deposits as of September 30, 2020 (USD 193.9 million, or 0.6% of total customer's deposits as of December 31, 2019).
- Dormant deposits amounted to USD 474.6 million, or 1.4% of total customer's deposits as of September 30, 2020 (USD 342.1 million, or 1% of total customer's deposits as of December 31, 2019).

**14- BORROWED FUNDS**

The details of this item are as follows:

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
From Central Banks	151 298	86 237
From banks and financial institutions	396 032	246 699
<b>Total</b>	<b>547 330</b>	<b>332 936</b>

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

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Floating interest rate	161 709	210 210
Fixed interest rate	385 621	122 726
<b>Total</b>	<b>547 330</b>	<b>332 936</b>

**15- PROVISION FOR INCOME TAX**

The details of this item are as follows:

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Balance at the beginning of the period / year	345 054	321 490
Income tax expense	172 887	324 983
Income tax paid	( 277 718)	( 301 419)
<b>Balance at the End of the Period / Year</b>	<b>240 223</b>	<b>345 054</b>

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

	For the Nine-Month	
	30 September 2020 (Reviewed not Audited)	30 September 2019 (Reviewed not Audited)
	USD '000	USD '000
Income tax expense for the period	172 887	260 683
Effect of deferred tax	( 47 977)	( 17 105)
<b>Total</b>	<b>124 910</b>	<b>243 578</b>

- The income tax rate for the banking sector in Jordan is 38% (35% income tax + 3% national contribution tax) , while the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of September 30, 2020 and December 31, 2019. The effective tax rate for the Group is 36.7% as September 30, 2020 and 26.7% as of September 30, 2019.
- The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2019 such as Arab Bank United Arab Emirates and 2018 such as Arab Bank Egypt and Arab Investment Group Jordan Co.



## 16- OTHER LIABILITIES

The details of this item are as follows:

	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)
	USD '000	USD '000
Accrued interest payable	174 644	211 698
Notes payable	135 265	168 629
Interest and commission received in advance	70 806	75 085
Accrued expenses	95 476	77 471
Dividends payable to shareholders	19 532	20 332
Provision for impairment - ECL of the indirect credit facilities*	66 434	59 213
Lease Contracts Liability	86 779	95 880
Other miscellaneous liabilities	339 828	417 642
<b>Total</b>	<b>988 764</b>	<b>1 125 950</b>

\*The details of movement on the provision for impairment of the ECL of the indirect credit facilities are as follows:

	30 September 2020 (Reviewed not Audited)				31 December 2019 (Audited)
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
<b>Balance at the beginning of the period \ year</b>	<b>36 152</b>	<b>13 515</b>	<b>9 546</b>	<b>59 213</b>	<b>77 358</b>
Transferred to Stage 1	130	( 130)	-	-	-
Transferred to Stage 2	( 261)	261	-	-	-
Transferred to Stage 3	( 1)	( 11)	12	-	-
Net ECL Charges for the period / year	3 860	3 257	( 49)	<b>7 068</b>	( 19 051)
Adjustments during the period and translation Adjustments	422	53	( 322)	<b>153</b>	906
<b>Balance at the End of the Period \ Year</b>	<b>40 302</b>	<b>16 945</b>	<b>9 187</b>	<b>66 434</b>	<b>59 213</b>

## 17- SHARE CAPITAL AND RESERVES

A. Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of September 30, 2020 and December 31, 2019.

B. The Group did not make any appropriation to the legal reserves, in accordance with companies law, in the interim financial information as such appropriations are performed at year end.

## 18- RETAINED EARNINGS

The details of movement on the retained earnings are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	<b>31 December 2019</b> <b>(Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
<b>Balance at the beginning of the Period \ Year</b>	<b>2 584 537</b>	<b>2 192 006</b>
Profit for the period/year attributable to the shareholders of the bank	213 612	844 937
Transferred from investment revaluation reserve to retained earnings	( 22)	( 2 201)
Dividends paid	-	( 417 997)
Transferred to statutory reserve	-	( 7 108)
Transferred from / to general banking risk reserve	17 676	( 1 828)
Changes in associates equity	( 3 252)	( 13 724)
Effect of IFRS (16) adoption	-	( 5 327)
Adjustment during the period/ year	( 6 547)	( 4 221)
<b>Balance at the End of the Period / Year</b>	<b>2 806 004</b>	<b>2 584 537</b>

\* According to Central Bank of Jordan Memo no. 1/1/4693 dated 9 April 2020, Arab Bank did not distribute dividends for the year 2019 (The General Assembly of Arab Bank plc in its meeting held on March 28, 2019 approved the recommendation of the Bank's Board of Directors to distribute 45% of par value as cash dividends for the year 2018 equivalent to USD 406.6 million).

## 19- INTEREST INCOME

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	<b>30 September 2019</b> <b>(Reviewed not Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Direct credit facilities at amortized cost	1 113 933	1 284 093
Balances with central banks	34 628	80 703
Balances and deposits with banks and financial institutions	33 896	63 880
Financial assets at fair value through profit or loss	12 113	16 465
Other financial assets at amortized cost	379 242	378 847
<b>Total</b>	<b>1 573 812</b>	<b>1 823 988</b>

## 20- INTEREST EXPENSE

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	<b>30 September 2019</b> <b>(Reviewed not Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Customers' deposits	545 103	667 548
Banks and financial institutions deposits	55 600	77 814
Cash margins	33 234	43 887
Borrowed funds	10 381	8 747
Deposit insurance fees	20 658	19 421
<b>Total</b>	<b>664 976</b>	<b>817 417</b>

21- **NET COMMISSION INCOME**

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	<b>30 September 2019</b> <b>(Reviewed not Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Commission income:		
Direct credit facilities at amortized cost	56 079	70 775
Indirect credit facilities	83 219	87 980
Assets Under Management	17 653	13 855
Other	82 292	83 659
Less: commission expense	( 37 049)	( 36 603)
<b>Net Commission Income</b>	<b>202 194</b>	<b>219 666</b>

22- **GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>				<b>30 September 2019</b> <b>(Reviewed not Audited)</b>
	Realized Gains	Unrealized (Losses)	Dividends	Total	Total
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Treasury bills and bonds	2 921	(400)	-	2 521	2 483
Corporate shares	-	(69)	53	( 16)	27
Mutual funds	-	( 11)	-	( 11)	767
<b>Total</b>	<b>2 921</b>	<b>( 480)</b>	<b>53</b>	<b>2 494</b>	<b>3 277</b>

23- **OTHER REVENUE**

The details of this item are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	<b>30 September 2019</b> <b>(Reviewed not Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Revenue from customer services	10 388	12 026
Safe box and other rentals	2 729	2 737
(Loss) from derivatives	( 783)	( 1 096)
Miscellaneous revenue	24 815	19 443
<b>Total</b>	<b>37 149</b>	<b>33 110</b>

## **24. BUSINESS SEGMENTS**

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

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

### **1. Corporate and Institutional Banking**

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

### **2. Treasury**

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

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

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

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

### **3. Consumer Banking**

This group provides banking services to individuals and high-net worth elite customers, and endeavors to meet their financial service needs using the best methods, through effective distribution channels, and a variety of product services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels such as direct phone calls, ATMs, the internet and text messaging via cellular phones.

**Information about the Group's Business Segments**

	30 September 2020 (Reviewed not Audited)					30 September 2019 (Reviewed not Audited)	
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total	Total
			Elite	Retail Banking			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	685 527	438 618	(99 314)	175 393	274 578	1 474 802	1 690 854
Net inter-segment interest income	(92 838)	(263 419)	240 177	116 080	-	-	-
Less :Provision for impairment - ECL	304 616	107 775	5 187	50 606	-	468 184	127 274
Less :Other provisions	6 493	1 902	1 506	6 895	-	16 796	21 080
Less :Direct administrative expenses	96 219	15 807	24 333	131 422	5 806	273 587	274 461
<b>Result of Operations of Segments</b>	<b>185 361</b>	<b>49 715</b>	<b>109 837</b>	<b>102 550</b>	<b>268 772</b>	<b>716 235</b>	<b>1 268 039</b>
Less :Indirect expenses on segments	158 614	47 753	42 525	125 440	1 757	376 089	355 596
<b>Profit for the Period before Income Tax</b>	<b>26 747</b>	<b>1 962</b>	<b>67 312</b>	<b>(22 890)</b>	<b>267 015</b>	<b>340 146</b>	<b>912 443</b>
Less :Income tax expense	9 822	720	24 719	(8 406)	98 055	124 910	243 578
<b>Profit for the Period</b>	<b>16 925</b>	<b>1 242</b>	<b>42 593</b>	<b>(14 484)</b>	<b>168 960</b>	<b>215 236</b>	<b>668 865</b>
Depreciation and Amortization	15 335	3 986	3 309	23 933	-	46 563	46 226

  

	30 September 2020 (Reviewed not Audited)					31 December 2019 (Audited)	
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total	Total
			Elite	Retail Banking			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Segment assets	18 068 228	20 108 406	3 753 102	5 101 301	1 770 878	48 801 915	47 701 193
Inter-segment assets	-	-	12 381 538	3 002 400	6 109 760	-	-
Investments in associates	-	-	-	-	3 745 163	3 745 163	3 513 651
<b>Total Assets</b>	<b>18 068 228</b>	<b>20 108 406</b>	<b>16 134 640</b>	<b>8 103 701</b>	<b>11 625 801</b>	<b>52 547 078</b>	<b>51 214 844</b>
Segment liabilities	13 887 720	2 795 216	16 134 640	8 103 701	2 285 688	43 206 965	42 112 393
Shareholders' Equity	-	-	-	-	9 340 113	9 340 113	9 102 451
Inter-segment liabilities	4 180 508	17 313 190	-	-	-	-	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>18 068 228</b>	<b>20 108 406</b>	<b>16 134 640</b>	<b>8 103 701</b>	<b>11 625 801</b>	<b>52 547 078</b>	<b>51 214 844</b>

## 25- MATURITY OF THE CONTINGENT ACCOUNTS

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

<b>30 September 2020</b>				
<b>(Reviewed not Audited)</b>				
	<b>Within 1 Year</b>	<b>From 1 Year and up to 5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Letters of credit	1 567 604	37 083	-	1 604 687
Acceptances	580 036	4 489	-	584 525
Letters of guarantees:				
- Payment guarantees	1 013 404	88 424	71 694	1 173 522
- Performance guarantees	3 127 555	1 472 387	196 398	4 796 340
- Other guarantees	2 362 765	561 262	23 812	2 947 839
Unutilized credit facilities	4 020 227	368 014	29 679	4 417 920
<b>Total</b>	<b>12 671 591</b>	<b>2 531 659</b>	<b>321 583</b>	<b>15 524 833</b>
Construction projects contracts	3 196	-	-	3 196
Procurement contracts	4 648	1 860	1 528	8 036
<b>Total</b>	<b>7 844</b>	<b>1 860</b>	<b>1 528</b>	<b>11 232</b>
<b>31 December 2019</b>				
<b>(Audited)</b>				
	<b>Within 1 Year</b>	<b>From 1 Year and up to 5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Letters of credit	1 662 582	36 487	-	1 699 069
Acceptances	761 198	5 865	-	767 063
Letters of guarantees:				
- Payment guarantees	1 445 287	114 634	93 023	1 652 944
- Performance guarantees	3 611 661	1 415 474	164 239	5 191 374
- Other guarantees	2 713 430	401 265	25 683	3 140 378
Unutilized credit facilities	4 275 911	406 747	28 038	4 710 696
<b>Total</b>	<b>14 470 069</b>	<b>2 380 472</b>	<b>310 983</b>	<b>17 161 524</b>
Construction projects contracts	3 752	-	-	3 752
Procurement contracts	8 044	2 620	1 906	12 570
<b>Total</b>	<b>11 796</b>	<b>2 620</b>	<b>1 906</b>	<b>16 322</b>

**26. CREDIT EXPOSURE FOR ASSETS CATEGORIZED BY GEOGRAPHICAL REGION:**

The details for this items are as follows:

30 September 2020  
(Reviewed not Audited)

	<b>Jordan</b>	<b>Other Arab Countries</b>	<b>Asia *</b>	<b>Europe</b>	<b>America</b>	<b>Rest of the World</b>	<b>Total</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Balances with central banks	3 844 293	3 008 431	366	2 263 558	-	9 485	9 126 133
Balances and deposits with banks and financial institutions	211 253	1 251 677	362 661	1 482 798	611 809	76 384	3 996 582
Financial assets at fair value through profit or loss	-	106 408	20 485	182 148	-	6 221	315 262
<b>Direct credit facilities at amortized cost</b>	<b>8 273 374</b>	<b>13 548 445</b>	<b>346 253</b>	<b>1 138 044</b>	<b>9 522</b>	<b>752 451</b>	<b>24 068 089</b>
Consumer Banking	3 007 717	2 417 453	14	134 716	-	307 955	5 867 855
Small and Medium Corporates	908 166	1 398 908	1 806	399 605	5 047	187 173	2 900 705
Large Corporates	4 190 970	8 571 888	344 433	515 683	4 475	257 323	13 884 772
Banks and Financial Institutions	7 520	149 163	-	1 200	-	-	157 883
Government and Public Sector	159 001	1 011 033	-	86 840	-	-	1 256 874
Other financial assets at amortized cost	3 722 623	4 006 878	80 007	428 646	114 922	276 556	8 629 632
Other assets and financial derivatives - positive fair value	87 732	239 414	1 050	50 847	981	3 324	383 348
<b>Total</b>	<b>16 139 275</b>	<b>22 161 253</b>	<b>810 822</b>	<b>5 546 041</b>	<b>737 234</b>	<b>1 124 421</b>	<b>46 519 046</b>
<b>Total as of 31 December, 2019 (Audited)</b>	<b>15 388 603</b>	<b>22 551 532</b>	<b>864 029</b>	<b>4 611 622</b>	<b>1 122 361</b>	<b>1 123 609</b>	<b>45 661 756</b>

\* Excluding Arab Countries.

**27. CREDIT EXPOSURE FOR ASSETS CATEGORIZED BY ECONOMIC SECTOR**

The details for this items are as follows:

30 September 2020 (Reviewed not Audited)													
	Consumer Banking	Corporations								Banks and Financial Institutions	Government and Public Sector	Total	
		Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares				General Services
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	
Balances with central banks	-	-	-	-	-	-	-	-	-	-	-	9 126 133	9 126 133
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	3 996 582	-	3 996 582
Financial assets at fair value through profit or loss	-	15 265	-	-	-	-	-	-	-	-	190 432	109 565	315 262
Direct credit facilities at amortized cost	5 867 855	4 644 837	1 940 841	1 155 979	4 403 892	305 963	589 618	313 158	10 487	3 420 702	157 883	1 256 874	24 068 089
Other financial assets at amortized cost	-	65 925	-	6 806	-	-	-	-	-	225 707	1 000 290	7 330 904	8 629 632
Other assets & Financial Derivatives - positive fair value	25 749	51 979	7 389	6 242	27 002	1 699	3 046	6 133	-	44 771	100 937	108 401	383 348
<b>Total</b>	<b>5 893 604</b>	<b>4 778 006</b>	<b>1 948 230</b>	<b>1 169 027</b>	<b>4 430 894</b>	<b>307 662</b>	<b>592 664</b>	<b>319 291</b>	<b>10 487</b>	<b>3 691 180</b>	<b>5 446 124</b>	<b>17 931 877</b>	<b>46 519 046</b>
<b>Total as of 31 December, 2019 (Audited)</b>	<b>5 623 802</b>	<b>4 749 338</b>	<b>1 963 260</b>	<b>1 864 346</b>	<b>4 230 169</b>	<b>358 643</b>	<b>574 675</b>	<b>376 120</b>	<b>11 984</b>	<b>3 367 976</b>	<b>6 373 184</b>	<b>16 168 259</b>	<b>45 661 756</b>



## 28- CAPITAL MANAGEMENT

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

	<b>30 September 2020 (Reviewed not Audited)</b>	<b>31 December 2019 (Audited)</b>
	<b>USD '000</b>	<b>USD '000</b>
Common Equity Tier 1	9 002 418	8 543 121
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(3 284 179)	(3 036 069)
Additional Tier 1	388	437
Supplementary Capital	420 818	395 519
<b>Regulatory Capital</b>	<b>6 139 445</b>	<b>5 903 008</b>
<b>Risk-weighted assets (RWA)</b>	<b>36 673 073</b>	<b>36 460 222</b>
<b>Common Equity Tier 1 Ratio</b>	<b>%15.59</b>	<b>%15.10</b>
<b>Tier 1 Capital Ratio</b>	<b>%15.59</b>	<b>%15.11</b>
<b>Capital Adequacy Ratio</b>	<b>%16.74</b>	<b>%16.19</b>

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

## 29. Fair Value Hierarchy

### Financial Instruments are either financial assets or 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.

### A. Fair Value of the Group financial assets and financial liabilities measured at fair value on a recurring basis.

Some financial assets and financial liabilities are measured at fair value at the end of each reporting period, the following note illustrates how the fair value is determined (Valuation techniques and key inputs)

Financial Assets /Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 September 2020 (Reviewed not Audited)	31 December 2019 (Audited)				
	USD '000	USD '000				
<b>Financial Assets at Fair Value</b>						
Financial assets at fair value through profit or loss:						
Treasuring bills and Bonds	109 565	207 411	Level 1	Quoted Shares	Not Applicable	Not Applicable
Corporate Bonds	205 697	257 574	Level 1	Quoted Shares	Not Applicable	Not Applicable
Loans and Advances	-	29 624	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	17 317	24 444	Level 1	Quoted Shares	Not Applicable	Not Applicable
<b>Total Financial Assets at Fair Value through Profit or Loss</b>	<b>332 579</b>	<b>519 053</b>				
Financial derivatives - positive fair value	96 611	54 212	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	114 989	133 480	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	266 230	252 453	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
<b>Total financial assets at fair value through other comprehensive income</b>	<b>381 219</b>	<b>385 933</b>				
<b>Total Financial Assets at Fair Value</b>	<b>810 409</b>	<b>959 198</b>				
<b>Financial Liabilities at Fair Value</b>						
Financial derivatives - negative fair value	119 981	75 887	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
<b>Total Financial Liabilities at Fair Value</b>	<b>119 981</b>	<b>75 887</b>				

There were no transfers between Level 1 and 2 during the nine months period ended September 30, 2020 and the year 2019.

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

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

	30 September 2020 (Reviewed not Audited)		31 December 2019 (Audited)		Fair Value Hierarchy
	Book value	Fair value	Book value	Fair value	
	USD '000	USD '000	USD '000	USD '000	
<b>Financial assets not calculated at fair value</b>					
Mandatory cash reserve, Time and notice balances and Certificates of deposit with central banks	4 612 508	4 613 200	4 993 146	4 994 782	Level 2
Balances and deposits with banks and financial institutions	3 996 582	3 998 655	4 572 149	4 575 696	Level 2
Direct credit facilities at amortized cost	24 068 089	24 162 084	23 960 625	24 034 879	Level 2
Other financial assets at amortized cost	8 629 632	8 707 540	8 894 618	8 996 983	Level 1 & 2
<b>Total financial assets not calculated at fair value</b>	<b>41 306 811</b>	<b>41 481 479</b>	<b>42 420 538</b>	<b>42 602 340</b>	
<b>Financial liabilities not calculated at fair value</b>					
Banks' and financial institutions' deposits	3 554 096	3 565 479	3 761 895	3 774 410	Level 2
Customer deposits	35 137 260	35 261 175	33 154 995	33 297 984	Level 2
Cash margin	2 379 563	2 387 158	3 082 753	3 097 979	Level 2
Borrowed funds	547 330	550 470	332 936	338 201	Level 2
<b>Total financial liabilities not calculated at fair value</b>	<b>41 618 249</b>	<b>41 764 282</b>	<b>40 332 579</b>	<b>40 508 574</b>	

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

30- **EARNINGS PER SHARE ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS**

The details of this item are as follows:

	For the Nine-Month Period Ended 30 September		For the Three-Month Period Ended 30 September	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Profit for the period attributable to the Bank's shareholders	213 612	671 090	64 510	215 685
	<b>Thousand / Shares</b>		<b>Thousand / Shares</b>	
Average number of shares	640 800	640 800	640 800	640 800
	<b>USD / Share</b>		<b>USD / Share</b>	
Earnings Per Share for the period (Basic and diluted)	0.33	1.05	0.10	0.34

31- **CASH AND CASH EQUIVALENTS**

The details of this item are as follows:

	30 September 2020 (Reviewed not Audited)	30 September 2019 (Reviewed not Audited)
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	9 928 735	6 833 893
<u>Add:</u> Balances with banks and financial institutions maturing within 3 months	3 732 623	3 316 612
<u>Less:</u> Banks and financial institutions deposits maturing within 3 months	3 080 420	2 850 432
<b>Total</b>	<b>10 580 938</b>	<b>7 300 073</b>

### **32. RELATED PARTIES TRANSACTIONS**

The details of the balances with related parties are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Associated Companies	204 671	-	22 075	64 283
Major Shareholders and Members of the Board of Directors	-	299 213	678 329	64 522
<b>Total</b>	<b>204 671</b>	<b>299 213</b>	<b>700 404</b>	<b>128 805</b>

  

	<b>31 December 2019</b> <b>(Audited)</b>			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Associated Companies	372 918	-	55 768	67 888
Major Shareholders and Members of the Board of Directors	-	268 698	633 541	83 469
<b>Total</b>	<b>372 918</b>	<b>268 698</b>	<b>689 309</b>	<b>151 357</b>

- All facilities granted to related parties are performing loans in accordance with the internal credit rating of the Group.

The details of transactions with related parties are as follows:

	<b>30 September 2020</b> <b>(Reviewed not Audited)</b>	
	Interest Income	Interest Expense
	<b>USD '000</b>	<b>USD '000</b>
Associated Companies	1 591	922

  

	<b>30 September 2019</b> <b>(Reviewed not Audited)</b>	
	Interest Income	Interest Expense
	<b>USD '000</b>	<b>USD '000</b>
Associated Companies	2 477	565

- Direct credit facilities granted to top management personnel amounted to USD 2 million and indirect credit facilities amounted to USD 216.9 thousand as of September 30, 2020 (USD 2.3 million direct credit facilities and USD 217.1 thousand indirect credit facilities as of December 31, 2019).

- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

- Deposits of key management personnel amounted to USD 4.7 million as of September 30, 2020 (USD 4.4 million as of December 31, 2019).

- The salaries and other fringe benefits of the Group's top management personnel, inside and outside Jordan, amounted to USD 53.1 million for the nine months period ended September 30, 2020 (USD 49.9 million for the nine months period ended September 30, 2019).

### **33. Legal Cases**

There are lawsuits filed against the Group totaling USD 238.2 million as of 30 September 2020, (USD 210.8 million as of 31 December 2019). In the opinion of the management and the lawyers representing the Group in the litigations at issue, the provisions taken in connection with the lawsuits are adequate.

### **34. Comparative Figures**

Some of the comparative figures for the year 2019 have been reclassified to correspond with the period ended 30 September 2020 presentation, and it did not result in any change to the last year's operating results.