Annual Report 2020

His Majesty King Abdullah II Ibn Al Hussein

His Royal Highness Crown Prince
Al Hussein Bin Abdullah II

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Members of the Board of Directors
Vision and Mission

2019		2020	
Name	**Position**	**Name**	**Position**
Bassem Khalil Salem Al-Salem	Chairman of the Board of Directors	Bassem Khalil Salem Al-Salem	Chairman of the Board of Directors
Mazen Samih Taleb Darwazeh	Vice Chairman of the Board of Directors	Mazen Samih Taleb Darwazeh	Vice Chairman of the Board of Directors

Board Members names as of 2019	Board Members names as of 2020
Social Security Corporation Represented by	Social Security Corporation Represented by
Fadi Khlid Mufleh Alalawneh	Shaden Ziyad Nabih Darwish Alhaji
Investment and Integrated Industries Co Plc Represented by	Investment and Integrated Industries Co Plc Represented by
Omar M. I. Shahrour	Omar M. I. Shahrour
Al Khalil Company for Investments Represented by	Al Khalil Company for Investments Represented by
Khalil Hatem Khalil Al-Salem	Khalil Hatem Khalil Al-Salem
Hitaf Investment Company Represented by	Hitaf Investment Company Represented by
“Mohammed Ali” Khaldoun Sati’ Al-Husry	“Mohammed Ali” Khaldoun Sati’ Al-Husry
Al-Jadarah Company for Real Estate Investment Represented by	Al-Jadarah Company for Real Estate Investment Represented by
Sultan Mohammed M. Elseif	Sultan Mohammed M. Elseif
Omar Akram Omran Bitar	Omar Akram Omran Bitar
Reem Haitham Jamil Goussous	Reem Haitham Jamil Goussous
Khalid Walid Hussni Nabilsi	Khalid Walid Hussni Nabilsi
Mohammad Hasan Subhi (AlHaj Hasan)	Mohammad Hasan Subhi (AlHaj Hasan)
Dawod M. D. Al Ghoul	Arab Potash Company since 31/05/2020 Represented by
Ahmad Qasem Deeb Al-Hanandeh	Jamal Ahmad Mufleh Al Sarayrah*

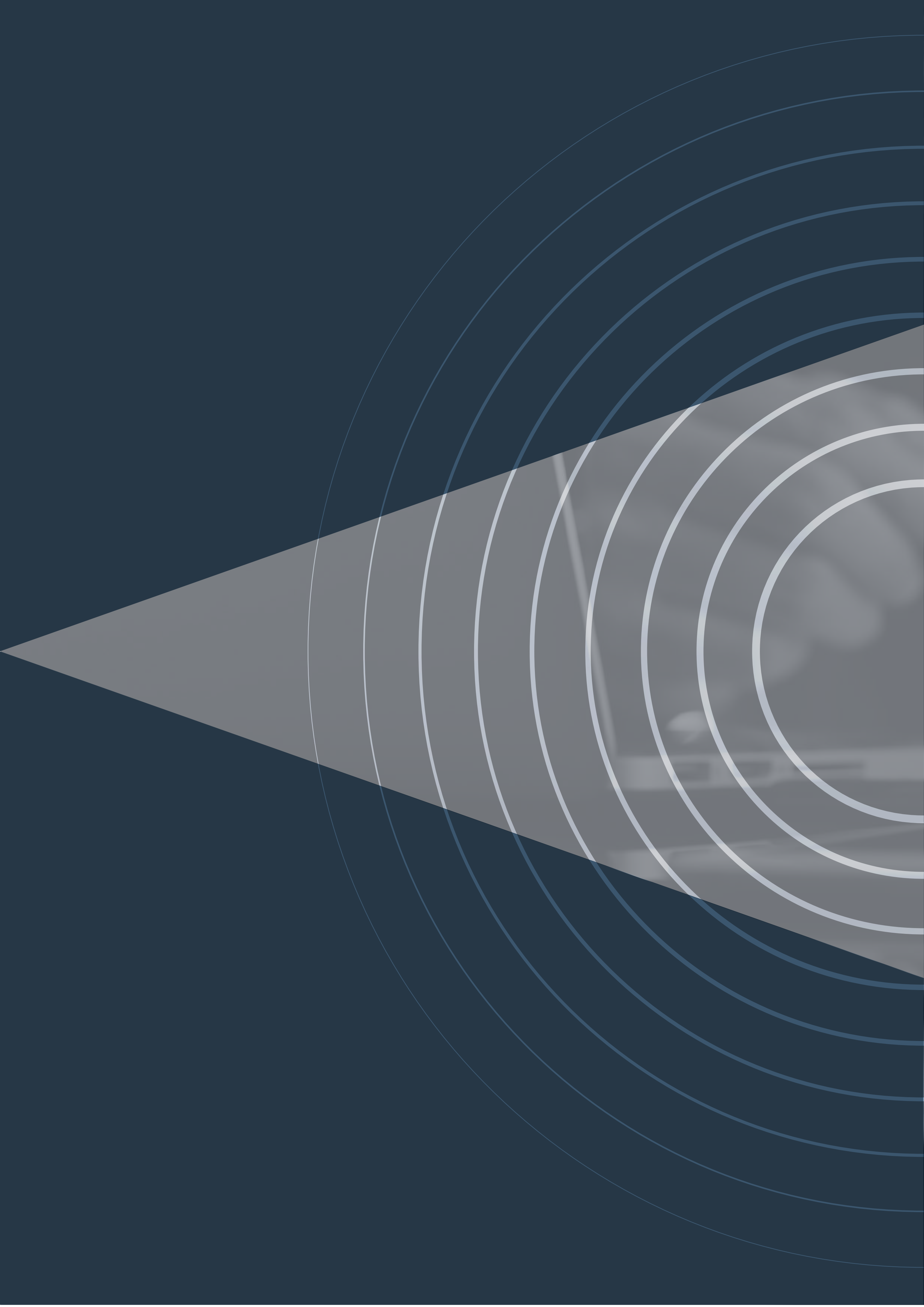
* The representative has changed we are waiting for another person to be named so that the bank can send the NOC to the Central Bank of Jordan regarding the new representative as per the rules

Our Vision

Better Banking for Jordan & Iraq.

Our Mission

Providing innovative, simplified, and holistic financial solutions through enhanced products & an elevated level of customer service and experience in the Jordanian and Iraqi markets.



Message from the Chairman

Dear Shareholders,

Welcome to Capital Bank's 25th annual report, where we present you with a review of the bank's financial and non-financial achievements for 2020 as well as the core issues that have shaped its work throughout the year.

In 2020, we witnessed the onset of the coronavirus pandemic, one of the worse health crises that the world has ever faced. The pandemic and its ramifications are still heavily affecting all the economies of the world. Jordan's economy in particular witnessed a sharp decrease in activity and actual GDP growth ratios, and it is now expected that the national economy will contract by 5.5% in the short term, with the growth ratio remaining low unless Jordan's deep structural problems and economic challenges are addressed swiftly and comprehensively.

Ladies and Gentlemen,

The Jordanian banking sector, under the guidance and directions from the Central Bank of Jordan (CBJ), has played a major role in responding and reacting to the effects of the pandemic by lowering interest rates, restructuring private and corporate loans especially for SMEs, injecting JD1.05 billion in additional liquidity into the national economy through the reduction of mandatory cash reserves, reducing financing costs and increasing deadlines for existing and future facilities for economic sectors including the small and medium projects through CBJ's program to finance and support economic sectors, in addition to supporting the Jordan Loan Guarantee Corporation's (JLGC) procedures to reduce loan guarantee commissions and increase the coverage of the local sales guarantee program.

Capital Bank, in line with its deep-seated sense of patriotism and its leading corporate social responsibility role, in consolidation of its good citizenship values, was an avid supporter of the fight against the coronavirus pandemic, donating JD1 million to support the efforts of the Ministry of Health, the healthcare sector, and the Arab Army. The bank also offered financial support to the "Their Daily Wage Is On Us" initiative, donating JD50,000 to day laborers and their families whose work was disrupted as a result of the preventive measures implemented by the government to curb the spread of the coronavirus.

Ladies and Gentlemen

Capital Bank, by virtue of its long-term strategic vision, its detailed working plans, as well as the executive management team's high levels of banking experience, has managed to transform the challenges it has faced into opportunities.

The bank was able to maintain its financial solvency without resorting to borrowing or dipping into its own resources, acquiring all the assets and liabilities of Bank Audi branches in Jordan, and the acquisition of its branches in Iraq, by the National Bank of Iraq – a subsidy of Capital Bank Group, in addition to buying its assets and liabilities.

This step, which is considered the first acquisition of its kind in the Iraqi banking sector, supports the National Bank of Iraq's activities and reinforces Capital Bank Group's solid financial indicators, while continuing to provide innovative and highly efficient banking services to both its corporate and individual clients, as well as continuously upgrading and perfecting the Group's offerings with support from its long-term digital transformation policy.

This achievement, one of many notable accomplishments made by Capital Bank over the past several years, further advances our competitive position and cements us as one of the largest operating banks in the Jordanian market, increasing the group's assets to JD3.5 billion and shareholder equity to approximately JD400 million.

Ladies and Gentlemen

The effects of the coronavirus pandemic will continue throughout 2021, which will require us to operate with a clear and comprehensive vision and within a solid strategy in order to ensure that Capital Bank retains its position as a competitive banking institution both in the local market and on a regional level. In this context, the role played by the Central Bank of Jordan should be highlighted, continuously monitoring all measures and procedures in order to ensure their safety, reliability and ability to provide a solid and fertile ground for banking in Jordan.

It must be said that maintaining Jordan's credit rating despite the pandemic's negative repercussions reinforces investor confidence in the local economy's ability to recover at a time when many countries in the world have been witnessing successive decreases in their credit ratings.

As a result, and in spite of the prevailing sense of global uncertainty over the state of economies as well as the ramifications of the pandemic, we continue our work with an optimistic and enthusiastic outlook, committing ourselves to the achievement of our goals and objectives.

We ask God to protect Jordan and the world from the evil of pandemics, and that our Kingdom remains a haven of peace and stability under the leadership of His Majesty King Abdullah II bin Al-Hussein.

Basem Khalil AlSalem
Chairman

Dear Capital Bank Shareholders,

Over the past year, Capital Bank continued to achieve positive financial results, overcoming the difficulties, challenges and economic obstacles brought about by the coronavirus pandemic, which has been an unprecedented global health crisis. The bank's net profits after taxes and allowances amounted to JD30.3 million in 2020, compared with JD28.8 million in 2019, with an increase of 5.2%. The bank's gross profits before taxes were JD38 million in 2020, compared to JD37.1 million the previous year.

This increase was achieved in 2020 despite of the rise in allowances allocated in line with the bank's hedging policies, which amounted to JD24.5 million, compared to JD7 million allocated in 2019.

The net credit facility portfolio increased by JD324 million, or 30%, reaching JD1.4 billion in 2020, compared to JD1.1 billion in 2019.

Net revenue from interest increased in 2020 by 25.8% or JD14.2 million, reaching JD69 million, compared to JD55 million in 2019. Shareholder equity also increased, growing from JD347 million in 2019 to JD356 million in 2020, a rate of 2.4%.

Capital Bank also increased its assets from JD2.2 billion in 2019 to JD2.8 billion in 2020, at a rate of 26%, while simultaneously growing its financing sources, particularly client deposits, which rose last year by about JD368.2 million, or 28.2%.

In 2020, which Capital Bank views as a positive turning point for its business, the bank completed the acquisition of Bank Audi branches in Jordan and Iraq, as well as buying their assets and liabilities. This deal will reinforce Capital Bank's competitive position, increasing its assets to approximately JD3.5 billion and the group's shareholder equity to approximately JD400 million, allowing the bank to continue its expansion and development strategy in the Jordanian and Iraqi retail markets.

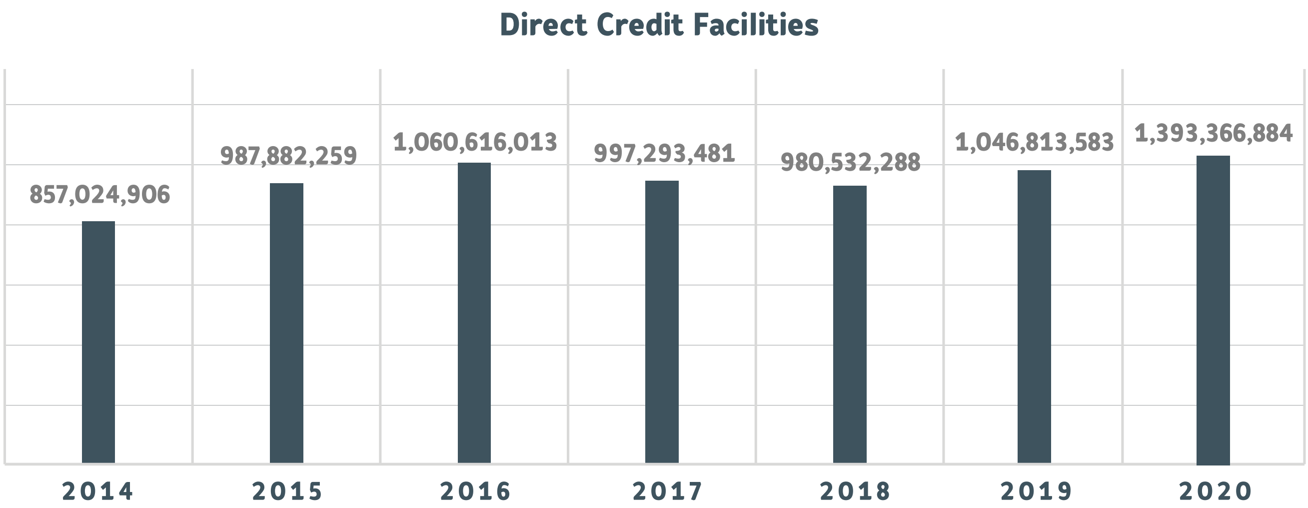
The Bank Audi deal will also allow Capital Bank, through its majority stake in the National Bank of Iraq (NBI), to be a main player in Iraq, which is a strategic market. NBI has become a leader in its field, ushering a new era in its market through its strategy of digital transformation, salary domiciling services and retail solutions. Capital Bank's expansion plans went beyond the acquisition deal in the Jordanian and Iraqi markets, with an application to raise the ranking of Capital Investments Company in the Dubai International Financial Center, a move that enables it to provide asset management services to its fast-growing client base in the United Arab Emirates as well as the Gulf region.

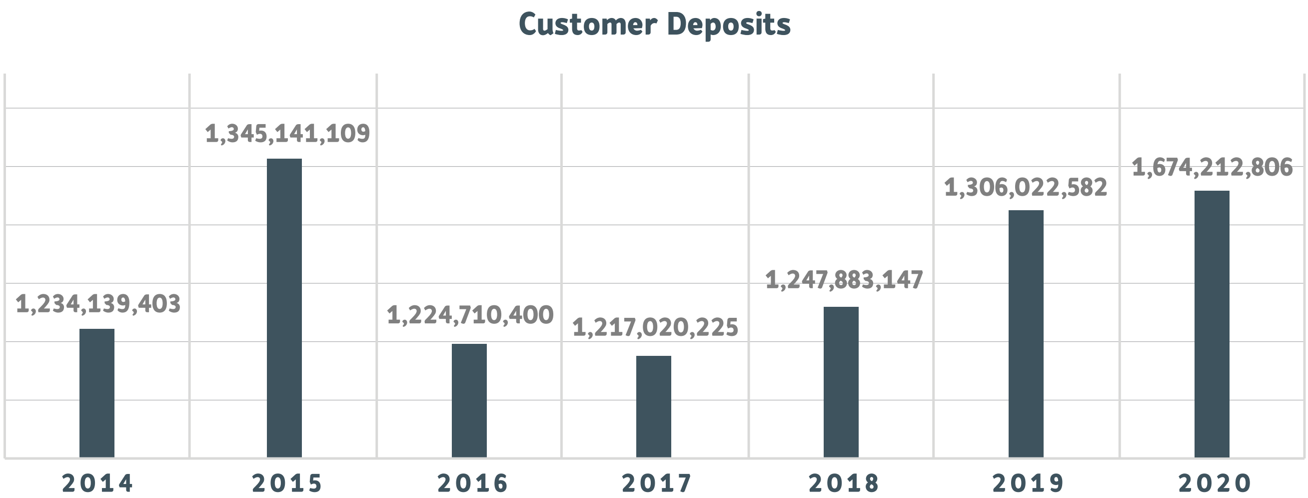
In line with these positive developments, throughout 2020, Capital Bank continued to implement its strategy of advancing its performance and digital transformation plans by launching a number of digital platforms that provide banking services to our clients, ensuring speed, safety, efficiency, and the highest levels of client satisfaction.

Finally, allow me to extend my deep gratitude to the Central Bank of Jordan and the Jordan Securities Commission for their continuous support and cooperation with the Jordanian banking sector. I would also like to thank the Chairman of the Board of Directors and the valued members of the board, as well as all Capital Bank team members for their exceptional and dedicated efforts as well as their diligence, to elevate the bank's performance and offer the best banking services and solutions to both our individual and corporate clients.

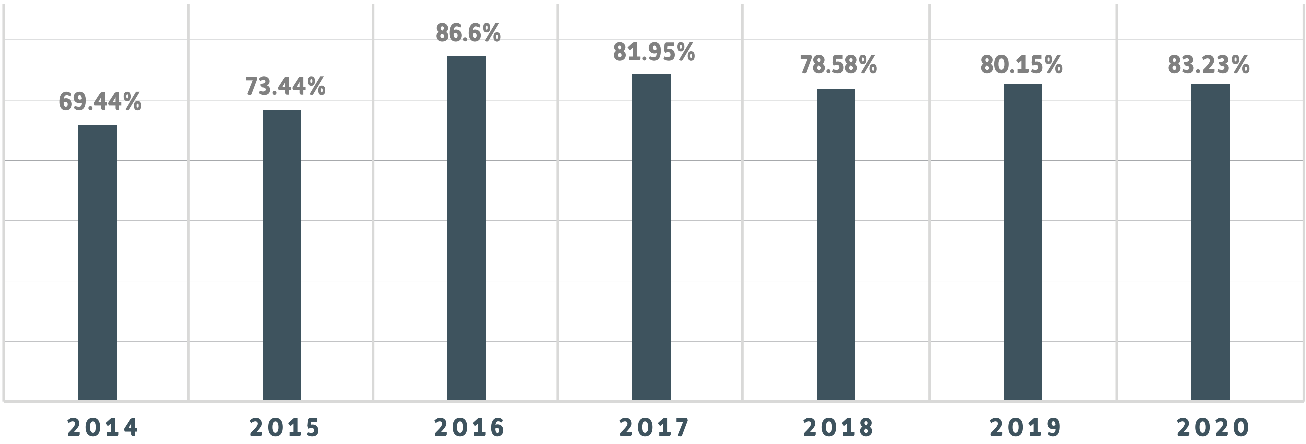
On behalf of Capital Bank's executive management team, I reiterate our resolve to continue to protect the interests of our shareholders, clients and all stakeholders, working diligently to meet their expectations and maintain their trust in us.

Dawod Al Ghoul
CEO

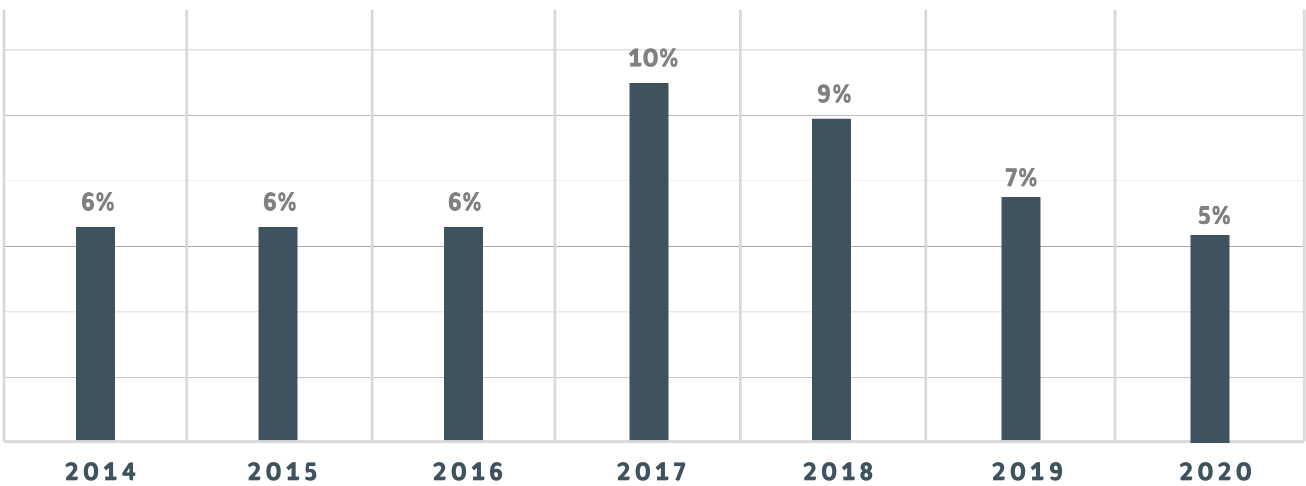

Direct Credit Facilities
857,024,906
987,882,259
1,060,616,013
997,293,481
980,532,288
1,046,813,583
1,393,366,884
2014
2015
2016
2017
2018
2019
2020

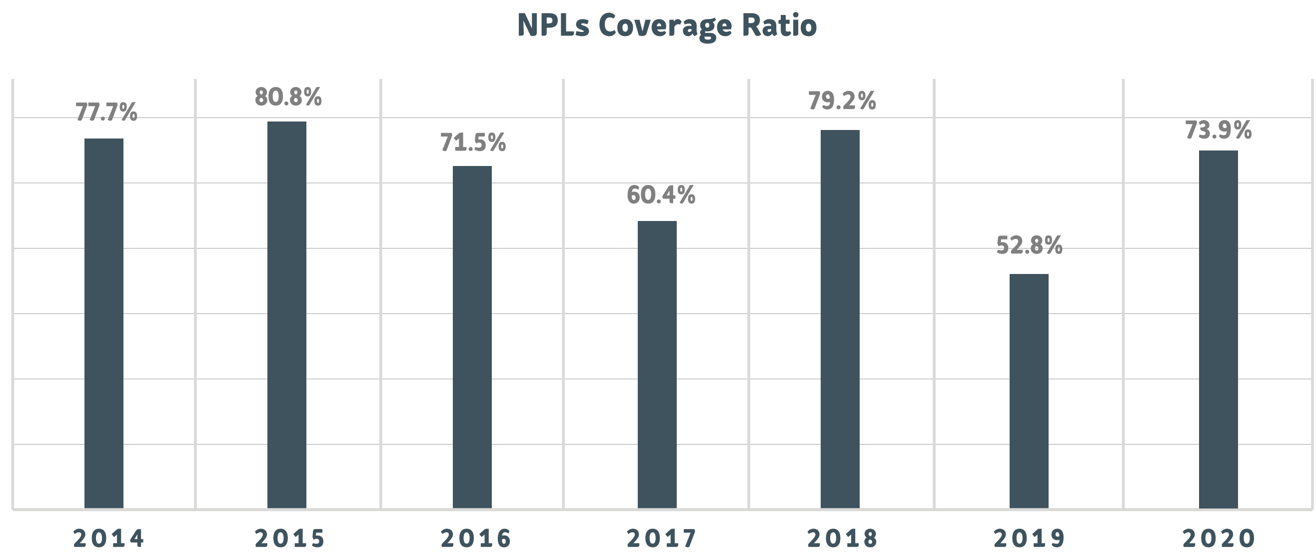

Customer Deposits
1,234,139,403
1,345,141,109
1,224,710,400
1,217,020,225
1,247,883,147
1,306,022,582
1,674,212,806
2014
2015
2016
2017
2018
2019
2020

Loans to Deposits Ratio

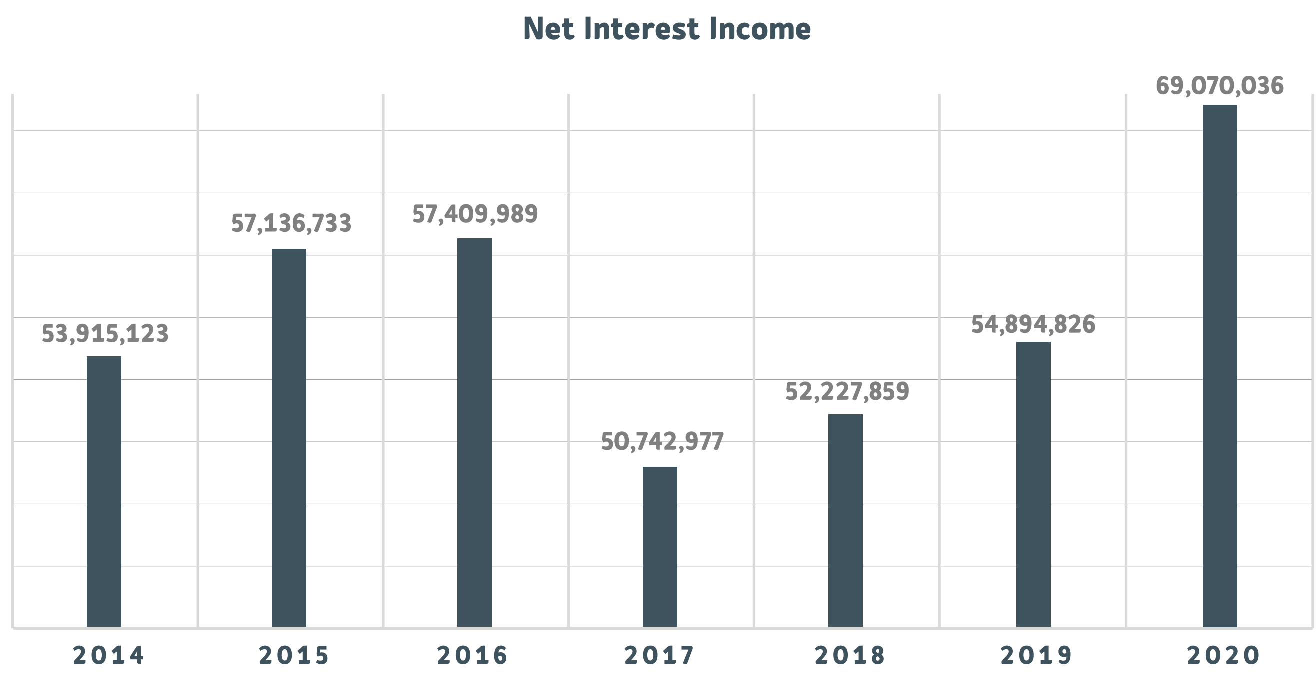


Non-performing Loans Ratio

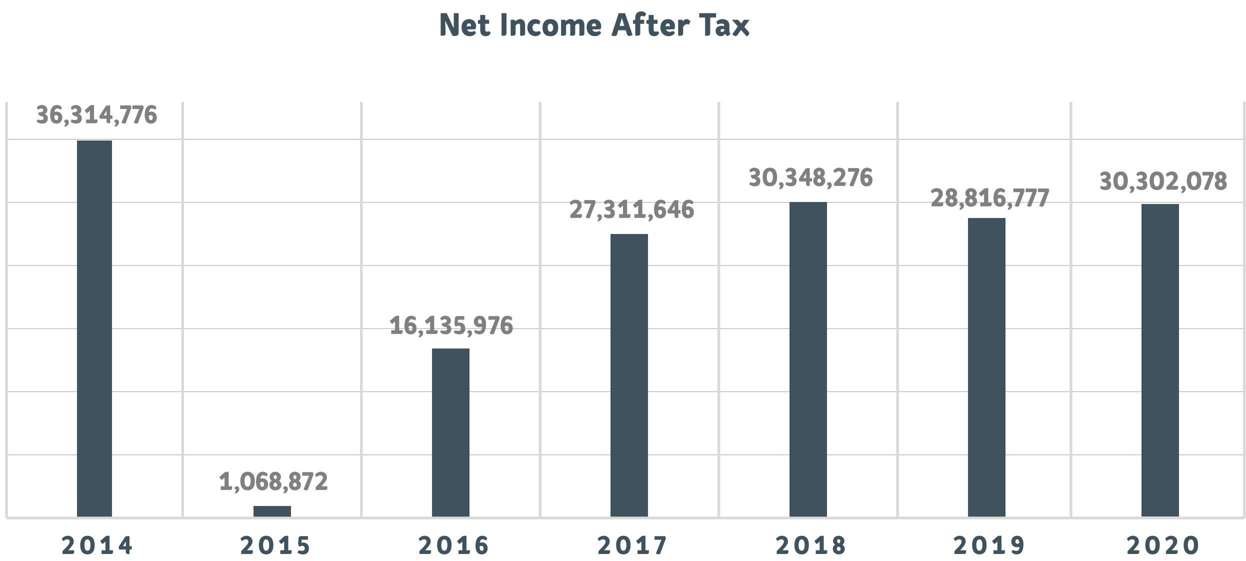


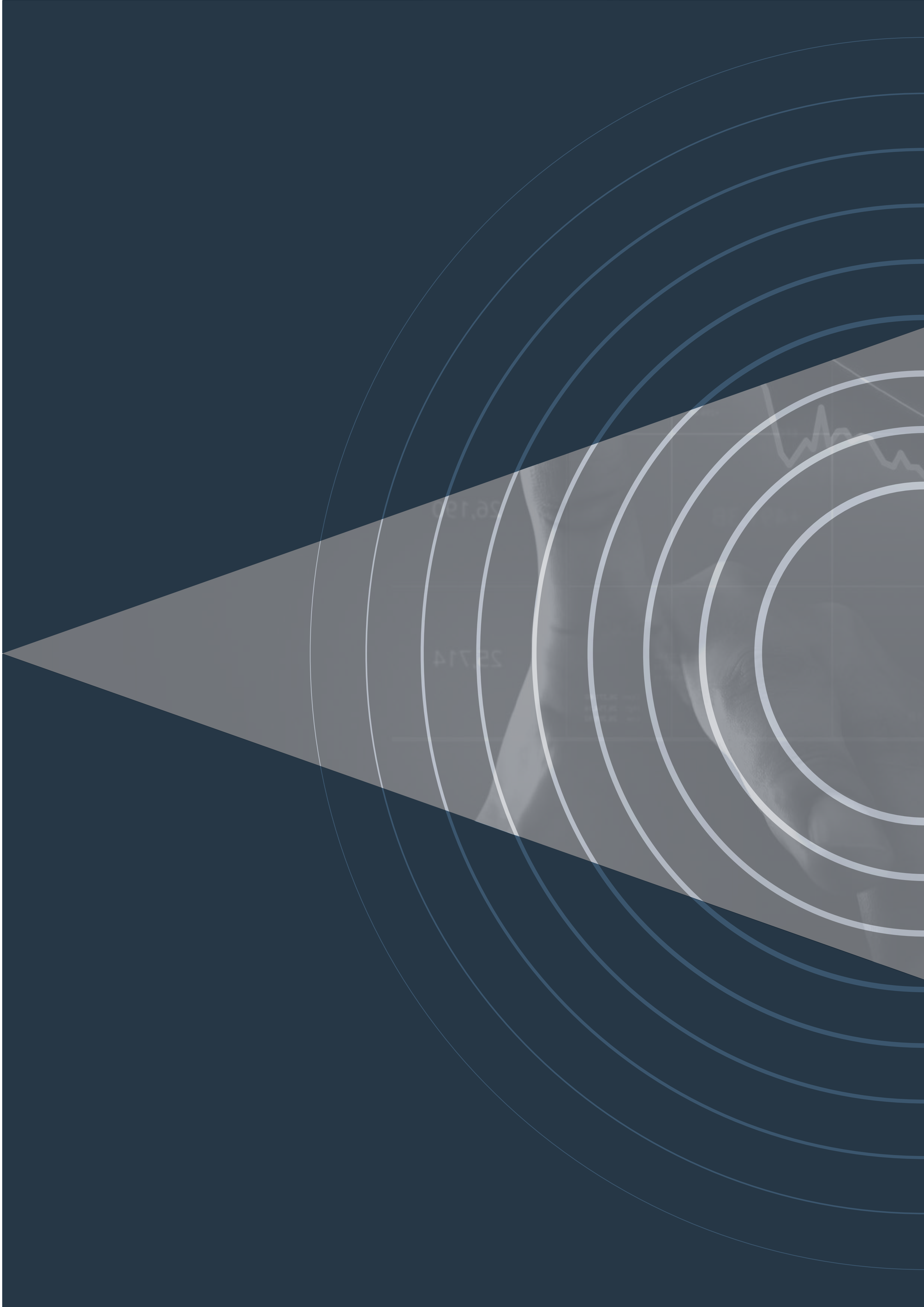


NPLs Coverage Ratio
77.7%
80.8%
71.5%
60.4%
79.2%
52.8%
73.9%
2014
2015
2016
2017
2018
2019
2020

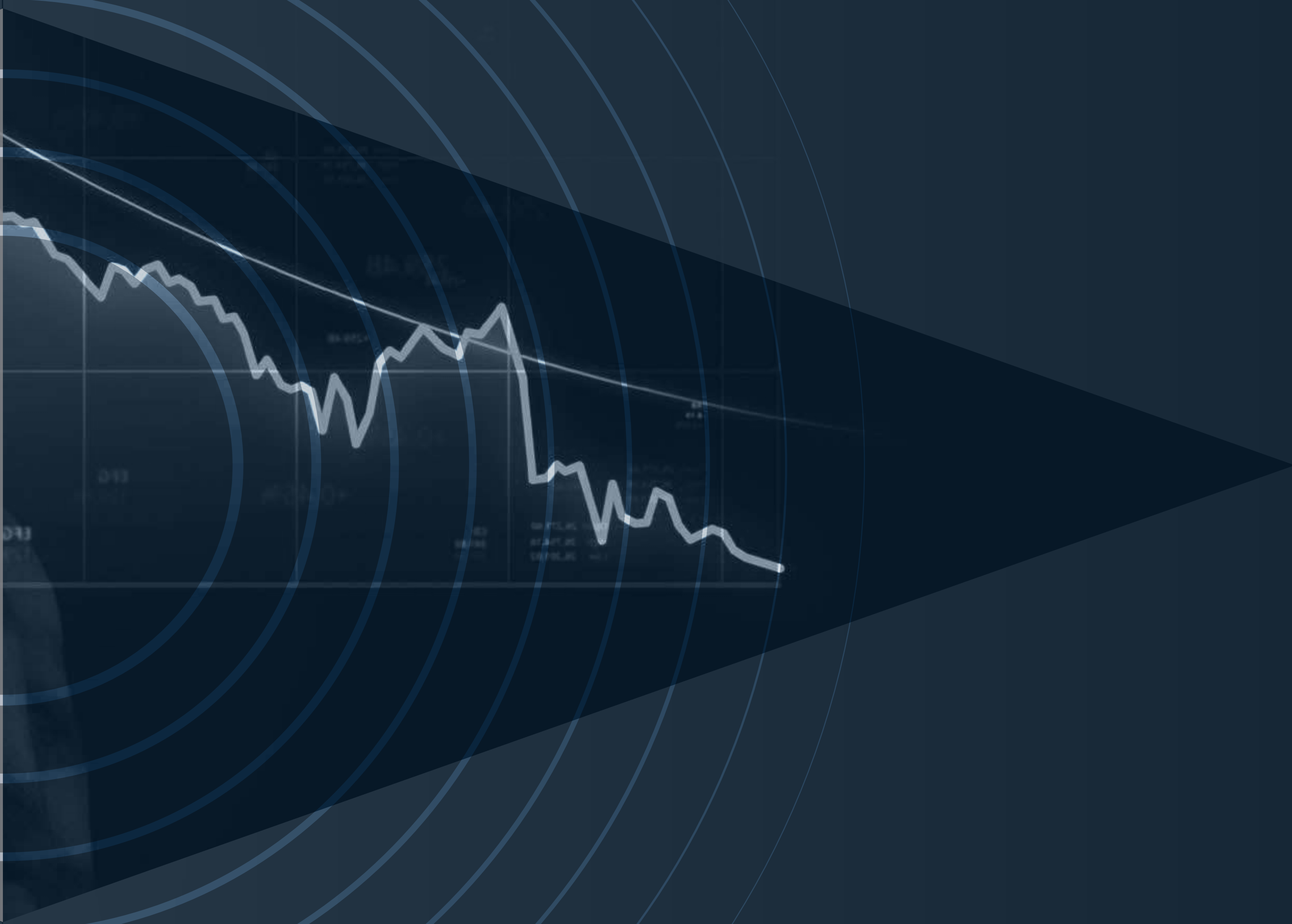


Net Interest Income
53,915,123
57,136,733
57,409,989
50,742,977
52,227,859
54,894,826
69,070,036
2014
2015
2016
2017
2018
2019
2020


Net Income After Tax
36,314,776
1,068,872
16,135,976
27,311,646
30,348,276
28,816,777
30,302,078
2014
2015
2016
2017
2018
2019
2020



Board of Directors Report



Esteemed shareholders,

Capital Bank's Board of Directors is pleased to share with you its Annual Report, which offers an overview of the Bank's financial statements, key achievements, activities, services, and innovations and products delivered during 2020. The bank has successfully realized its strategic goals and yielded positive results that have reinforced its local and regional position. The bank also strengthened its competitive edge and provided advanced and modern services to its clients, as well as added value to its shareholders.

Below is the detailed report of the Board of Directors on the bank's activities and achievements in 2020.

Institutional Banking Department

The corporate sector is one of the most important focus points for Capital Bank, and we continue to develop and provide it with cutting-edge services and outstanding banking solutions that cater to the sector's unique business needs. This includes delivering services to large corporations, commercial and small and medium enterprises (SMEs).

Corporate Banking

Despite the challenging economic conditions in 2020, we have succeeded in increasing the operating profit of our portfolio by increasing the volume of direct facilities offered to new clients according to well-studied risk assessments and new products that are compatible with the needs and requirements of all clients.

This year, we focused on providing services to large corporate clients by providing new banking services and products including:

- The Switch On electronic services app for corporates
- An electronic wallet service in cooperation with Dinarak
- The cash deposit machine (CDM) service
- Salary rebate products, which provide salary-related innovative solutions for employees of our corporate clients

The bank's position as one of the leaders in providing financial and banking solutions to the corporate sector has been further reinforced by the expansion of the bank's hedging and financial derivatives services offered to large corporate clients. This move reduces exchange currency, interest, and commodity price risks in accordance with banking standards and guidelines based on the proper understanding of the business environment.

During 2020, the bank continued to adopt credit risk rating mechanisms and link them to product pricing to further improve the quality of the credit portfolio. The bank also continued to provide high-quality banking services to help existing customers grow and develop their businesses, as well as sustained efforts to attract new clients from various targeted economic sectors.

A new agreement was signed with the European International Bank (EIB) to offer corporate financing through Capital Bank at competitive interest rates.

Capital Bank also continued to provide financing for various economic sectors; mainly low risk government and public sectors given the importance of these funds in stimulating economic growth and helping to meet the needs that would in turn reflect positively on all parts of the economy . The bank also continued to finance sectors funded by the Central Bank of Jordan, such as tourism, agriculture, information technology, renewable energy and industry, implementing a prudent policy aimed at granting facilities according to calculated and acceptable risks.

SMEs and Commercial Banking

Capital Bank continued to focus on the SME sector, recognizing it as one of the main drivers of the national economy, providing job opportunities and contributing to economic growth.

While the SME sector represents a majority of the total number of companies operating in Jordan, it continues to receive inadequate funding compared to the total facilities granted by the banking sector. That is why Capital Bank continues to focus on this sector, empowering it with the necessary financial tools to grow, including postponing and rescheduling financial obligations for companies in this sector, and in accordance with the Central Bank of Jordan's guidelines, to stem the negative repercussions of the coronavirus pandemic, which affected the those companies' cash flow.

The bank also participated in the national loan guarantee program, which was launched by the Central Bank of Jordan in partnership with the Jordan Loan Guarantee Corporation (JLGC) and was created to counter the negative economic effects of the coronavirus pandemic by maintaining work continuity and employment for professionals, artisans, and owners of individual companies and SMEs. Through the program, loans were extended to companies operating in a number of sectors affected by the pandemic within specific ceilings guaranteed by JLGC at competitive interest rates.

Meanwhile, the bank continued to support and finance important and vital economic sectors, providing medium-term financing for them at preferential interest rates in line with the guidelines and decisions of the Central Bank of Jordan, with sectors including industry, renewable energy, tourism, agriculture, information technology, engineering consultancy, health, technical and vocational education, transportation and export. Furthermore, Capital Bank signed a number of agreements with several foreign institutions and agencies, through which it was able to secure loans to clients at reduced interest rates in order to promote economic growth and deliver more job opportunities, also serving to support national efforts in training and qualifying human resources and reinforcing their competitiveness in the local and foreign job markets.

In order to facilitate the mechanism for SME owners to acquire the financing needed to develop their projects in the absence of sufficient guarantees to obtain loans, the bank continued its cooperation with JLGC and foreign institutions to guarantee the extended loans. Banking products were also developed for startups that faced difficulties in acquiring financing. In addition, the bank participated in the Inhad initiative in line with the royal vision to combat unemployment among the youth and reinforce the concept of entrepreneurship as an alternative to seeking employment, encouraging the youth to start their own production-oriented projects.

Despite the many challenges facing the region as well as the repercussions of the coronavirus pandemic, Capital Bank continued to grow its client base and respond to their needs with no interruptions, through rational business management policies set by the bank, in addition to assigning a specialized team to serve financial technology companies (Fintech), a new area of financial services aiming to achieve the bank's vision concerning those companies and their future projections.

The bank also continued to provide distinguished services through the corporate services centers and teams that were established in the bank's head office, in addition to the Zarqa Free Zone branch that specializes in servicing businesses located in the area.

Capital Bank also virtually participated in and sponsored many conferences and seminars geared toward supporting SMEs by sharing knowledge, experience and modern solutions to help them navigate the difficulties they face with minimal losses.

Capital Bank continued its strategic policy, as well as developed new programs that are compatible with the unique needs of its clients by harnessing technology and combining it with conventional banking to provide the best banking services with the ultimate aim of securing a larger market share.

Transaction Banking Department

The Transaction Banking and Products Department provides banking services, products, and channels in line with the bank's strategy for retail and corporate clients. The department has an integrated work team that studies and develops the bank's current products and channels and develops new banking products and solutions that provide services to retail and corporate sectors, implementing them within an advanced work methodology that takes into consideration client needs, satisfaction levels and loyalty while maintaining the profitability levels.

The department developed new retail products, packages and programs that offer a number of benefits including:

- Capital Choice program for salary clients
- Capital Select program for VIP clients
- Capital Wealth program for elite clients

The department has also launched the precious metals saving accounts, the first of its kind in the Kingdom, which allows retail clients to save virtually in gold or silver without having to physically own the metals.

Throughout the year, the department launched, a number of marketing campaigns for its products, including, immediate loans, loans against cash collateral, and marketing campaigns on credit cards, in addition to providing the opportunity for clients to benefit from an easy 12-month installment plan on all purchases using their Capital Bank credit cards.

During the last quarter of 2020, the department reviewed and developed all types of facilities extended to retail clients such as auto loans, personal loans, and real-estate loans, in addition to credit cards in order to offer competitive and exclusive benefits within the Jordanian banking marketplace.

The department also offered several new corporate products and services that are in line with the needs of its major corporate-sector clients as well as SMEs, including:

- **Loans against goods warehoused at the bonded stores.** This outstanding product enables clients to acquire financing opportunities on letters of credit issued by the bank against storing their goods in warehouses specified by the bank and in the bank's name as collateral.

- **Consulting services for the Iraqi market.** This includes a package of services provided to Jordanian companies wishing to enter the Iraqi market by providing consulting, financial, and legal services, as well as company registration services in Iraq according to the cooperation agreement signed with Capital Investments Company and Evershed Law Office.

- **Cooperation agreement with the Integrated Company for Mobile Payment Services – Dinarak,** which allows corporate clients to benefit from mobile phone payments based on their subscription in electronic wallets, enabling direct payment and collection facilities using mobile phones.

- **Cooperation agreement with Liwwa United Company**, which allows SME clients to apply for credit facilities through the bank's website easily and safely using a rapid mechanism in taking credit decisions and extending facilities.

The department also offered the corporate cash incentive that targets corporate and retail sectors simultaneously. A cash incentive is offered to companies that transfer their staff's salaries to the bank, reflecting positively on their relationship with the bank and increasing the bank's market share of salary clients, who can then enjoy the various banking products available to them.

Finally, during the first quarter of 2020, the department launched the bank's internet and mobile applications under the new brand identity of SwitchON, which will allow retail and corporate clients to review and manage their accounts and carry out their financial requests online, including paying bills, transferring funds between accounts, local and international transfers, and other services easily and safely. The department also implemented a number of projects to improve client services, including instant issuance of debit cards at branches and issuing passcodes for cards using the one-time password (OTP) service through SMS messages. This is in addition to launching the Chat Bot service, the first of its kind in Jordan, through Facebook Messenger and WhatsApp with an iCa trademark. The service includes the ability to communicate with iCa by chatting to request all needed information as well as carry out some financial transactions.

Consumer Banking Department

The Consumer Banking Department, which focuses on enhancing its competitiveness, evolving the services provided to its clients, and continually incorporating the latest technological developments, had a number of achievements in 2020, including:

- Partnering with Capital Investments Company to provide a special management bundle for high net worth clients.
- Implementing a new operating model in the branches that focuses on clients, productivity reinforcement, and providing immediate solutions.
- Developing a clear and implementable performance indicator to manage and reinforce performance lines across all functions.
- Providing new bundles from deposit products and savings accounts that offer a unique and innovative value for our clients.

- Developing lending products for our retail clients to provide optimum value for them compared to the market while taking prudent measures regarding the quality of the portfolio.
- Restructuring the collections department to increase its efficiency and productivity in addition to developing the portfolio's credit rating assessment to increase payment potential.
- Providing banking insurance products with special benefits for our clients.
- Transforming our call center into a modern and advanced platform and adding banking services for our corporate clients.
- Providing banking services on our social media pages including Facebook, Messenger, and WhatsApp.

Treasury, Investments, and Financial Institutions Department

The year 2020 was replete with challenges that strongly affected economic growth rates at the local, regional, and international levels. In the midst of commercial tensions between the United States and China, which cast their shadows over the global markets in 2019, 2020 witnessed the spread of the coronavirus (COVID-19), which affected most countries of the world and led to unprecedented disturbances and closures unseen for decades. The economies of many countries saw recessions that required interference by central banks to reduce interest rates in order to confront the economic recession caused by the pandemic, with many countries launching incentive programs to support their economies. At the local level, the Central Bank of Jordan took similar measures to mitigate the effect of the pandemic on economic activity by reducing interest rates on the Jordanian dinar and injecting liquidity by reducing mandatory cash reserves for banks and increasing repurchase agreements with banks, in addition to creating a large advance payments program to assist sectors sustaining damage with nominal interest rates.

During this crisis, the Treasury and Investment Department was able to manage the bank's liquidity in Jordanian dinar and foreign currencies efficiently to achieve the goals of both the bank and its clients although this department faced the challenge of reducing the cost of funds to compensate the reduction in the interest rate on loans and treasury bills, which represent a major ratio of the bank's assets. It was able, however, to carry this out gradually by diversifying sources of income and increasing its client base of current and saving accounts, as well as obtaining financing from a number of international institutions at low interest rates.

The Treasury and Investment Department also contributed to supporting the bank's revenues by investing in international bonds with a feasible revenue and within acceptable risk levels. It continued to provide its services to corporations and individuals from immediate and deferred exchange operations and by exchanging interest rates, exchange rates, and future contracts on commodities and other solutions and financial derivatives, which enable clients to hedge against interest and exchange rate risks as well as various commodity prices.

Following are the main activities of the Treasury and Investment Department:
- Investing in debt instruments issued and guaranteed by the Jordanian government.
- Investing in debt instruments issued by Jordanian, regional, or international companies with high financial and credit worthiness.
- Buying shares in local, regional, and international companies that enjoy high growth opportunities and good investment returns.
- Investing in investment funds with outstanding historic performance within acceptable risk levels.
- Investing in structured securities in line with the bank's needs.
- Managing foreign exchange centers in a manner that achieves optimum returns at the established rates and in accordance with the guidelines of the Central Bank of Jordan.
- Managing the bank's assets and liabilities in Jordanian dinars and various foreign currencies.

The Treasury and Investment Department continued to provide exceptional services to the bank's clients in the field of money markets, capital markets, and spot foreign exchange markets, and future and derivatives instruments. Its services included:

- Issuing certificates of deposit in Jordanian dinars and other major currencies for various periods and at competitive prices.
- Offering competitive spot and forward rates for foreign currencies against the dinar and the dollar for various periods and for all individual and corporate client groups in addition to certified currency exchange companies.
- Trading in money market instruments and capital market instruments such as treasury bills and bonds, commercial securities, and numerous debt instruments on behalf of clients.
- Monetary and margin trading in spot and forward foreign exchange markets.
- Performing SWAP operations in exchange rates and interest.
- Carrying out future contracts on commodities on behalf of clients for hedging purposes.
- Providing advice and guidance for the bank's individual and corporate clients in the field of hedging fluctuations in interest and exchange rates and proposing adequate hedging tools using traditional or derivative market tools according to each client's needs.
- Providing underwriting services for securities issued or guaranteed by the government to companies and individuals, while providing safe custody services for these securities at competitive prices.

Through the National Bank of Iraq (NBI), the Treasury and Investment Department expanded its operations in Iraq and provided NBI's staff with the necessary experience to develop market share and maximize profits.

The Money Exchange Section in the Treasury and Investment Department continued to activate buying and selling operations for all currencies, accept deposits and withdrawals, and provide integrated services to currency exchange companies. Additionally, the department provided services to all sectors in accordance with the CBJ policies and within the international compliance policy according to best practices and in full cooperation with the Compliance and Anti-Money Laundering and Terrorism Financing Department at the Capital Bank. Its objectives focused on:

- Providing sufficient liquidity and develop the bank's cash reserves.
- Providing foreign currencies for the local market.
- Growing incoming and outgoing transfers.
- Facilitating the work of exchange companies through centralized services in a manner that reflects positively on the bank's profits.
- Monitoring the sources of funds for exchange companies in cooperation with the Compliance and Anti-Money Laundering and Terrorism Financing Department.
- Implementing the sale and purchase of foreign currencies, deposits, and withdrawals in coordination with the treasury and compliance departments.

The Treasury and Investment Department successfully launched the first stage of its automated treasury system during 2020, which reflected positively on the department's work, reducing operational risk and enabling the department to provide outstanding services to its clients. The second stage is expected to be launched during the first quarter of 2021. The department is currently developing an electronic platform for trading in currencies to serve the bank's corporate clients, as well as developing a mechanism for standardizing currency exchange rates throughout the bank's different departments. The Treasury Department, in cooperation with other bank departments, is working to identify their profitability separately from their trading with the Treasury and Investment Department by implementing the Fund Transfer Pricing System in order to raise the efficiency of managing the cost of funds and return on their sources of funds.

The Treasury and Investment Department is also eager to continue providing outstanding products and services to its clients through derivative instruments that are compatible with client needs regarding hedging against exchange rate risks, interest rates, and commodity prices, in addition to expansion in the bank's various investment instruments in accordance with market conditions and the bank's approaches and strategies, its investment policies, and CBJ instructions.

Through the National Bank of Iraq, the Treasury and Investment Department worked to expand its operational base in Iraq and to provide the bank's staff with the necessary expertise to stay up to date with the latest developments in the banking sector, and diversify sources of income in light of the available opportunities in the Iraqi market, which will reflect positively on Capital Group's performance in general. The National Bank of Iraq will also be provided with special systems related to the Treasury Department to monitor market developments and facilitate electronic trading operations.

The Financial Institutions Department played an outstanding role in 2020 through opening new channels for dealing with banks and financial institutions and establishing new banking relationships. This was achieved within professional and transparent transactions by expanding the bank's database of high-rated correspondent banks, which enhanced the bank's ability to operate across multiple fields, including foreign trade, treasury operations and credit facilities, in addition to offering added flexibility for covering global markets.

Despite the political challenges which continue to face Iraq, Capital Bank's management contributed effectively to facilitating the National Bank of Iraq's foreign trade operations and to fulfil its needs at the highest levels of efficiency.

The department also manages strategic agreements and partnerships with many international institutions, such as the European Investment Bank, which extended a loan to Capital Bank amounting to 70 million euros, which Capital Bank, in turn, will lend to local SMEs. It also granted the Bank a credit ceiling of $10 million to reinforce commercial operations issued by the bank and for reconstruction and development purposes.

Capital Bank had also been granted a credit ceiling of $25 million by the International Finance Corporation to reinforce commercial operations.

Marketing and Corporate Communications Department

The Marketing and Corporate Communications Department launched in 2020 a number of campaigns and projects that communicated the Bank's vision and its mission, increasing the efficiency of its business by promoting products, programs, and services developed by the bank and aimed at reinforcing its prominence in local and regional markets, as well as improving client services and setting it apart from its competitors.

Marketing

One of the main campaigns launched by the Marketing Department at the group level was the development and rebranding of the brand names of Capital Bank and Capital Investments, presenting them as modern service providers with deep-rooted values and principles with a focus on clients.

The department also launched the following campaigns:
- The Switched On app and campaign
- iCa Virtual Assistant service on Facebook and iCa service on WhatsApp
- Consulting and logistical services program in the Iraqi market
- Capital Return, Capital Start and Capital Choice programs
- Gold and precious metals saving accounts
- Time deposit accounts at an interest rate of 4%, easy installments program, and the premium savings account
- Financing small companies
- 10% cashback campaigns and 3% cashback campaigns in Christmas
- Loans products, DNA campaign, soft payment diesel campaign, Warm Your Winter, Samsung Campaign
- Mercedes Benz GLB, Lexus, and Toyota with10% interest campaigns

Regarding the National Bank of Iraq, the department launched the following campaigns:
Apps and Platforms:
- Launching the National Bank of Iraq account on Instagram
- Digitization of Al-Ahli Express Service
- Launching Ahli Connect application

Banking Products:
Medical, Zain cash (25,000 Iraqi Dinars), Western Union, Colleague and Friend and iGrafx campaigns
15 Million personal loan campaign without a guarantor, 35 million for personal loan and housing loan campaigns
Auto loans campaign, 1 billion for SMEs, domiciliation account interest.
Interior and Defense Ministries campaigns
Nijm Al-Ahli campaigns, card delivery service, encouraging local products, Al-Kawthar Housing Complexes
Best Retail Award by International Finance campaign
Inauguration of the Baghdad Mall branch, Mosul branch, installation of new ATMs

Regarding Capital Investments, the department launched the following campaigns:
- Special banking services and Capital Investments Services including brokerage and asset management in the United Arab Emirates and the brokerage campaign in the Gulf countries and Jordan
- Rebranding the CapInvest Trader Application and launching the new CapInvest Forex application

Corporate Communications and Social Responsibility

The department continued to highlight news and developments in Capital Bank Group to ensure that they reach the largest possible segment of the targeted audience through publishing press releases and statements and organizing interviews with local and regional news media that cover the group's most significant achievements in 2020.

During 2020, and as part of its corporate social responsibility strategy, Capital Bank Group provided maximum support to government and civil authorities engaged in confronting and lessening the effects of the coronavirus pandemic on local communities. The department also extended tangible and material assistance to civil society institutions that offer relief to the less fortunate groups in society.

The department continued to cover tuition expenses for a group of students who submitted applications requesting assistance from inside and outside the institution.

Customer Experience and Business Excellence

In line with the bank's vision and strategic objectives, the Customer Experience and Business Excellence Department continued to implement business plans that studied and developed client experiences, particularly in the consumer banking services sector and implementation of the institutional identity.

In order to achieve the set objectives, the department continued to implement plans and initiatives as follows:

- Studied customer behavior and expectations and measured their satisfaction with services, products, and procedures, and employee eligibility utilizing all channels and points of communication
- Implemented the measurements of client experience and issued reports based on the results of client satisfaction questionnaires
- Managed a program to evaluate branches and the call center based on the best criteria and standards for quality assurance, including general appearance of the branch and staff, staff knowledge of products, and staff skills and behavior in dealing with clients
- Managed the Secret Shopper program at the consumer banking services sector level
- Participated in initiatives aimed at developing special communication skills for branch staff members and the call center with clients during the provision of services and sales operations of all products.
- Cooperated with the Human Resources Department in training new staff members in the consumer banking services sector.
- Participated in redesigning and engineering work procedures and forms to make them compatible with the bank's strategy, which hinges on the client as the basic foundation when providing services.
- Implemented a promotional campaign for the bank's app in branches

With regards to promoting the National Bank of Iraq, the department is currently working in cooperation with the Consumer Banking Department to implement plans and initiatives set to be launched at the bank during next year, aimed at improving services extended to clients and to develop staff skills in dealing with clients.

Operations Department

Corporate Operations

In line with the bank's objectives toward improving the level of services provided to clients from all sectors, efforts were made to raise the efficiency of the Operations Department, which oversees the transactions of corporate, SME and individual customers. The department was provided with additional qualified staff with expertise from various institutions around the kingdom.

The Operations Department works to automate processes that require a long time to complete by relying on modern technologies and by reconsidering the design of these processes and improving them in order to better serve the bank's customers. This includes, but not limited to, updating letters of credit and bank guarantees request forms and reviewing the forms used by various departments to align with the latest developments in this field.

To keep up with business developments and reduce operational risk, a number of systems controls were adopted, the level of immediate automatic implementation of transfers was improved, in addition to expediting measures related to issuing letters of credit and bank guarantees.

Since the Corporate Operations Department depends to a large extent on the technical skills to provide supporting services in a manner consistent with the bank's strategic objectives, focus has been on continuous staff training and rehabilitation to enable them to remain abreast of recent developments in this field and to raise the level of their capacities. Work has also been underway to exchange expertise among staff members with the purpose of developing their skills by holding a number of comprehensive in-house training courses and discussion groups, in addition to enabling a number of staff members to acquire professional degrees issued by the International Trade Bureau in France through the European Bank for Reconstruction and Development.

Retail Operations

In line with the bank's plans toward improving the level of services provided to clients from all sectors, and as part of the project to automate operations to ensure the smooth and rapid delivery of services, the Retail Operations Department is automating the process of posting salaries of Capital Bank's clients, and automating the process of comparing and extracting signatures, as well as developing the electronic clearing and check processing systems, as well as other projects to be completed in the near future.

The process of automating tax withholding and releases received by the bank by directly linking with the Income and Sales Tax Department has also been completed. Work is underway to implement the same mechanism with other parties such as the Social Security Corporation, the Ministry of Justice, and others.

Information Technology

Under Capital Bank's vision of providing specialized, high-efficiency services to distinguished corporate and individual clients, the Information Technology Department focused during 2020 on major axes, aiming to bring about fundamental changes in the level of services provided to clients using cutting-edge global technologies and the employment of qualified personnel. Among the main axes was maintaining the stability and effectiveness of the live environment and to achieve an integrated services platform to enable internal and external systems to integrate and interact together effectively, rapidly, and safely in accordance with applicable international standards.

With regard to keeping up with business developments and reducing technological risks, the bank embarked on infrastructural projects that ensure the continuity of services provided and upgrading the readiness of the supporting site, in addition to employing the best secure methods to ensure the continuity of work and client services during the coronavirus pandemic.

It is worth noting that Capital Bank has complied with all instructions issued by the Central Bank of Jordan with regard to information technology, the most important of which was the application of global best practices in the governance and management of information and accompanying technology (COBIT 2019) in line with those instructions, and updating the bank system to provide the best products and services to clients and maintaining the regular updates of electronic services.

Moreover, the PCI DSS Compliance Certification requirements for credit card information security have been obtained for the sixth year in a row.

Project Management

In 2020, and in line with the bank's vision and strategy regarding digital transformation, the Project Management Department completed and launched a number of projects that have a direct impact on client experiences and the provision of new innovative channels to provide banking services. The department also implemented projects and upgraded operations that reflect positively on customer services, complying with control authority requirements, and improving internal procedures as part of continued development and in line with governance instructions and accompanying informational technology management (COBIT 2019).

Following are the various achievements of the department:

First: Launching Business Departments Projects

The department completed a number of strategic projects to comply with the requirements of control authorities, as well as projects concerning improving and automating the operations of departments at the bank. Following is a summary of these projects:

1. Completed all main stages of the new Banking System Development Project T24 in Jordan, completing the transfer of data to the new system, and launching the products and services created as part of the project. The department also completed the banking system upgrading project ICBS for the National Bank of Iraq.
2. Completed the two main stages of Capital Bank's Loan Origination system for retail and corporate clients and the first stage for retail and corporate clients for the National Bank of Iraq.
3. Completed the Omni Channels project, which includes eight platforms to serve Capital Bank and National Bank of Iraq's clients, whereby corporate banking services are provided via the internet and retail banking services are provided via both the internet and mobile applications.
4. Launched the Chatbot automated assistant service on Facebook Messenger and WhatsApp, providing a mechanism for enquiries about all Capital Bank's services and products around the clock, and to carry out some financial transactions.
5. Launched Capital Bank's new website and the new intranet portal for the bank employees, as well as upgrading the automatic queuing system in all bank branches.
6. Completed the implementation of the financial reconciliation and electronic archiving systems.
7. Completed a number of credit card projects including the instant card issuing system from the branches, the OTP PIN project, which provides the ability to activate the password or create a new one through Capital Bank or other banks' ATMs.
8. Advanced ATMs were also prepared and installed that provide a number of electronic services and increase the effectiveness of transactions.
9. A platform was launched to trade in foreign currencies and precious metals as well as international market indicators to enable Capital Investments Company clients to trade using their mobile phones and computers easily and effectively.

Second: Project Governance

During 2020, the Project Management Department reviewed all measures for managing and developing projects in line with business requirements in order to fulfil the requirements of digital transformation and the importance of time-to-market, and the instructions for information technology governance and management affiliated with it (COBIT 2019). The department also relied on preparing and issuing periodic reports to highlight achievement and expenditure on projects managed by the department to ensure acquiring the directives of higher committees and ensure launching projects within the set timeline and the budget allocated for each project.

Engineering and Special Projects

During 2020, the bank's strategies to upgrade services extended to clients and bank employees were adhered to, in addition to developing and upgrading engineering systems used for sustaining work at all bank buildings and branches. Special attention was given to methods of marketing and managing the expropriated real estate portfolio, leading to positive results during the year.

The Engineering and Special Projects Department completed the following:

- Upgraded and developed engineering systems at the headquarters building and branches, including:
  - Project to expand the buildings management system to include Al-Madina Al-Munawwara branch, leading to remotely controlling the branch's systems in addition to savings in electric power usage.
  - Upgrading and developing the communications system to include the staff member's extension number on his mobile phone, which helped staff members during the quarantine period to work from home without interruption, particularly those at the bank's call center.
  - Adding a main communication line for the call center, which raises the level of service provided in addition to ensuring the continuous operation of the center.

- Structural improvements in different buildings at the headquarters and branches to upgrade the staff work environment as follows:
  - Upgrading an existing, bank-owned building and equipping it to be used by the departments, which contributed to vacating rented buildings and locations.
  - Restructuring rooms that include engineering systems to be compatible with their standard requirements.
  - Upgrading the Capital Select services area in Dabouq branch.
  - Completing the project to design and deliver the electronic client service locations and check deposit locations in all bank branches.
  - Completing the project to design and build a reception area and central conference rooms for the bank's clients and visitors at the headquarters building.

- Complete the study for providing the bank with electric power through transit transport to reduce the cost of electric consumption and obtain the necessary approvals from the Electricity Company to complete the project.
- Strategic agreements signed with real estate companies and websites to develop ways of marketing real estate expropriated by the bank and to reach a wider segment of people interested in buying them.
- Complete a project to photograph and film expropriated real estate using cutting-edge technologies to enable people interested in buying to see all the details of the real estate through a comprehensive and easily reviewed list of videos and panoramic images of all real estate units.

Procurement and Administrative Affairs

The department increased its readiness in line with the special and exceptional requirements of 2020, in order to ensure the provision of effective administrative measures and services that are responsive to daily changes, especially during the pandemic period, in addition to the need to cope and adapt quickly in order to continue to extend all administrative services to the bank's clients and staff without interruption. This included the ability to maintain regular and constant supplies of safety equipment, increase the levels of cleanliness in all locations, providing continuous and immediate sanitization services when needed in parallel with providing the highest levels of safety in all locations, and ensuring that all safety systems are ready and effective and are operating in accordance with the latest requirements and best specifications.

As part of Capital Bank's efforts to provide the best digital solutions and services to its clients, the Procurement Section participated to a large extent in ensuring the right selection of suppliers and service providers while increasing efforts exerted for best negotiations and ensuring that quality and cost control are observed. This included purchases and contracts to supply many new digital banking systems, and the most up-to-date ATMs in the region, as well as ensuring that relations with service providers are maintained to avoid any interruption in services and products.

Control Department

Control Monitoring

The Control Department activated the role of control over branches, retail and corporate transactions and the Engineering and Administrative Affairs Departments by verifying the level of efficiency in the flow of operations, the sufficiency of control measures, and the evaluation of risk that could be sustained by control gaps, through the use of control tools such as monthly reports on reviewing high-risk items, conducting visits, operation assessments, implementing QA activities, and performing verification activities for internal audit reports. The Control Department also participated in evaluating the risk matrices and identifying recommendations for operational incidents in cooperation with the Operating Risk Department, in addition to issuing daily reports on reviewing branch and department operations, reviewing work procedures in the abovementioned departments to verify the sufficiency of controls. All this is aimed at maintaining a solid internal control environment within a risk level that is acceptable by the Bank.

The new version of the reconciliation system was issued this year, which includes matching correspondent bank accounts, credit and debit cards accounts, prepaid cards, and ATM accounts. The reconciliations team performs the manual matching for some items such as Western Union, e-Fawateercom, CDM, and others alongside the reconciliation system administration. It is noteworthy that all requirements for implementing the automatic reconciliation system at the National Bank of Iraq have been completed. Work is underway to start holding training workshops and testing in cooperation with the National Bank of Iraq team. Studying all internal accounts has been completed with the Financial Department for the purpose of entering them into the automated matching system.

Policies and Procedures

The Policies and Procedures Department continued during 2020 monitoring the ongoing work plan of upgrading banking policies and procedures according to the periodic audit plan set for it. It also reorganized and redesigned measures and models and the procedures website in accordance with the bank's new institutional identity. Relevant procedures for new services and products that were launched during this year were created and circulated.

The department also coordinated with relevant departments to re-engineer some work procedures related to customer service in order to improve the services provided and ensure that transactions are completed in the optimal form and timeframe, in accordance with the department's plans to enhance the quality of procedures in a manner that guarantees efficiency among various departments and contributes to enhancing the quality of products and services offered to clients.

Financial Department

The Financial Department maintained its role of providing various supporting services to the group with full commitment to providing all requirements to all control authorities on time despite the challenges resulting from the spread of the coronavirus pandemic.

Due to the exceptional circumstances that prevailed during 2020, the department implemented conservative policies regarding reducing expenses and maintaining excellent levels of efficiency to maintain profit margins. Work is currently underway to implement an automated system for internal financial reports and the control authorities' reports in accordance with implementing the information technology strategic plan implemented throughout the bank.

Risk Department

Capital Bank adopts a comprehensive strategy to ensure best practices in credit and risk management. Our aim is to enhance the principle of credit neutrality and independence within clear provisions and foundations, in addition to controlling all risks to which the bank may be exposed at the client and credit portfolio levels in a manner that ensures achieving profit targets which cover those risks through the utilization of the RAROC measurement. The Risk Department is considered an independent unit headed by the Head of Risk, and it is linked to the Risk Committee of the Board of Directors, with a dashed line connecting the Head of Risk to the CEO.

The Risk Department consists of the following departments:
- Financial Risk Department
- Market and Liquidity Risk Department
- Operational Risk Department
- Information Security Department

Financial Risk Department

This department manages credit and credit concentration risks at all levels, managing and planning the bank's capital to ensure its efficient use through the application of ICAAP, in addition to gauging the impact of stress testing on the bank to ensure that they are within acceptable limits while maintaining the bank's financial and profit position. The department is also responsible for updating the International Financial Reporting Standards (IFRS 9) according to the regulations of the Central Bank of Jordan, in addition to applying the requirements of the Basel Committee and the Central Bank of Jordan.

Market and Liquidity Risk Department

The Market and Liquidity Risk Department is concerned with managing market, liquidity and interest rate risks, whereby according to risk management policies, measures and controls risks that the bank might encounter to preserve the bank's financial position. The department also adopts and implements the requirements of the Basel Committee and the Central Bank of Jordan.

Operational Risk Department

The Operational Risk Department is responsible for managing the internal and external operational risks to which the bank may be exposed, setting the necessary controls to control them and lessen their effect according to the bank's risk policies, and ensuring the implementation of continuity plans in the bank. The department also adopts and implements the requirements of the Basel Committee and the Central Bank of Jordan.

Information Security Department

The Information Security Department is responsible for maintaining the confidentiality, availability and accuracy of all information within the bank, setting necessary controls and means to stave off risks in accordance with the bank's risk policies and best international guidelines in this filed. The department also holds regular awareness workshops to ensure compliance with various information security programs.

Compliance

The Compliance Department continued in 2020 to perform its role as an independent evaluation body for compliance of the bank and its subsidiaries to laws, regulations and instructions issued by all monitoring authorities, in addition to ensuring the effective implementation of best practices issued by international institutions in the banking sector, as well as dealing with all updates in the changing markets that the bank and its subsidiaries operate in, so as to shield the bank from potential liability and mitigate any negative effect on the group's reputation.

The Compliance Department, which is operated independently, reports to the Compliance Committee of the Bank's Board of Directors and is directly linked with the CEO. Its responsibilities include general compliance monitoring, combating money laundering and terrorist financing.

During 2020, the Compliance Department took a number of steps to enhance performance across all levels, including:

- Enhancing the bank's readiness to comply with international and regional economic sanctions
- Enhancing and developing operational policies and procedures to suit changes in the regulatory environment in the Kingdom, especially with regards to combating money laundering and the funding of terrorism
- Introducing various automated systems to enhance the bank's capabilities to monitor and gauge compliance with various monitoring authorities' regulations.
- Continuing to invest in developing the capabilities of the bank's staff, and the Bank held a number of specialized training courses to upgrade its staff capacities in dealing with emerging challenges
- Continuing the work to develop and upgrade the systems that replace anti-money laundering and funding terrorism systems with a modern system that raises the Bank's capacities to protect itself and the national economy from the abuse of the financial system by outlaws.

Internal Audit

The Internal Audit Department provides the Board of Directors and the Audit Committee with reasonable assurances regarding the efficiency and effectiveness of internal monitoring systems, the level of adherence to applying internal policies and procedures, and the extent of their effectiveness by providing advisory and assurance services. The department fully acknowledges the importance of the role of internal auditing in strengthening internal systems and managing risks related to the bank's various operations.
The department operates in accordance with the Internal Audit Charter approved by the Board of Directors, which focuses on the principles of integrity, objectivity, confidentiality and efficiency which the internal auditor holds, and based on international internal audit standards issued by the Institute of Internal Auditing (IIA) and the Central Bank of Jordan.

Internal audit at Capital Bank, which span reviewing and evaluating internal monitoring, risk management and corporate governance regulations, is managed completely independently with direct functional connection to the Audit Committee of the Board of Directors and is administratively linked to the CEO. Audit also cover all activities run by Capital Bank and its subsidiaries based on a risk-based audit plan approved by the Audit Committee of the Board of Directors. The department also lends great attention to the training and development of auditors in cooperation with the best training institutes locally and internationally.

Human Resources

Capital Bank's human resources (HR) strategy aims to serve and achieve the strategic goals of Capital Bank Group. The strategy focused on enabling a healthy work environment that is conducive to change based on the principles of excellence and high competencies, and to raise and develop the levels of qualifications in the bank and the group through the use of an active recruitment policy based on attracting and appointing experienced caliber with local and regional experience.

Based on this, the achievements of the Human Resources Department in 2020 can be summarized as follows:

- Planning and directing all tasks and activities related to human resources to manage the performance of the institutional identity of Capital Bank Group. This was achieved by formulating strategies, programs, policies and systems designed to foster a performance-based culture
- Developing the infrastructure necessary for effective HRM and raising the level of services provided to employees on all matters relating to human resources. All instructions, policies, regulations and procedures necessary for smooth workflows were reviewed and updated as needed.
- Raising and developing the level of training and development by completing and adopting the training plan for 2020, which aimed to provide the best professional training and development programs with the best local and international providers, as well as activating and developing electronic learning platforms (Salalem) and virtual education systems for the bank and the group employees.
- Continuing to invest in the bank's capacities by offering scholarships for professional certifications at the bank's expense in addition to supporting staff and motivating them to complete their higher education.
- Focusing on performance management through continuing to implement an integrated performance management system by setting smart and specific objectives and continued communication to build an institutional culture based on distinguishing and rewarding performance, and connecting all human resources systems including increases, rewards, promotions, transfers, training, and development with the employee's effective and quality performance.
- Implementing numerous programs aimed at appreciating and motivating staff members in a non-traditional way through building a culture of excellence and innovation, such as the "Mukafaati" and Capital Connect programs, in addition to reviewing staff opinions through sending questionnaires on regular basis to be an indication of the need for making changes or improvements at the workplace.
- Implementing a number of interactive activities and programs during the year with the aim of reinforcing a positive work environment, institutional culture, and health awareness, such as "I Am Up To The Challenge", and providing an exceptional health service for bank employees through "Al Tibbi" medical application that allows staff members to communicate with a network of accredited physicians to receive unlimited medical consultations.
- Adopting the Elevatus program to accompany modern and digital technology using the remote initial interviews technology with job applicants by recording a video in order to save effort for applicants, in addition to focusing on providing equal opportunities and job development for staff through internal appointment.
- Implementing and launching a number of initiatives during the coronavirus pandemic to support employees, including reviewing the loan policy and sales incentives programs to ensure the provision of competitive benefits to staff, in addition to increasing channels of communications among staff members and working at increasing efficiency and productivity through transfer programs to increase the level of integrating staff members into their functions.

Subsidiaries

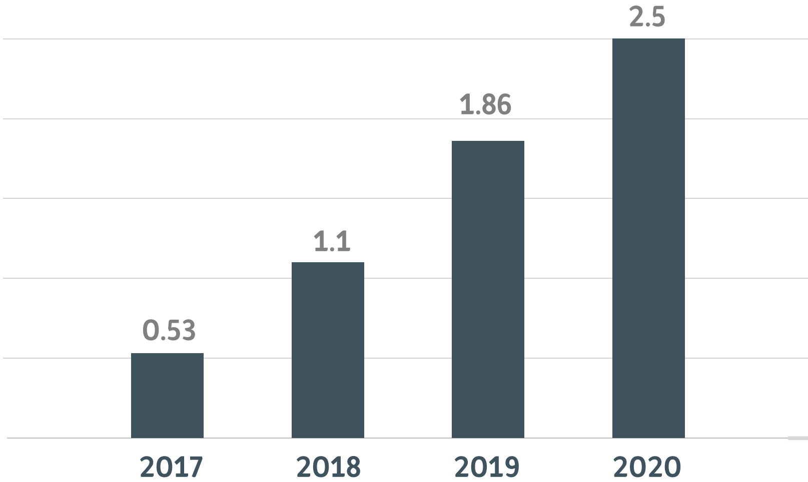
Capital Investments

Capital Investments continued in 2020 its outstanding position as a pioneering regional investment company in Jordan and the region, achieving unprecedented financial results despite the difficult extraordinary circumstances resulting from the spread of the coronavirus pandemic in Jordan and the region, and the accompanying challenges that overshadowed the international banking and financial sectors.

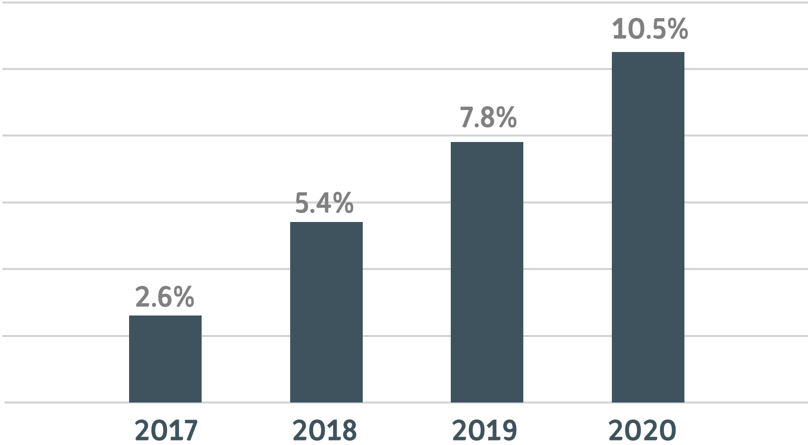
In spite of facing an exceptional year in 2020 in view of the coronavirus pandemic and the pressing economic conditions in Jordan, Capital Investments continued to achieve profitable results at unprecedented levels and an impressive growth rate.

This achievement, which reinforced the company's competitive position as a pioneering Jordanian company in investment and financial solutions, complements three years during which the company witnessed a series of successes manifest in a constant growth in income and reinforcing return on shareholders' equity, in addition to more than tripling assets managed and improving cost efficiency.

Net Profit before Taxes (JD Million)

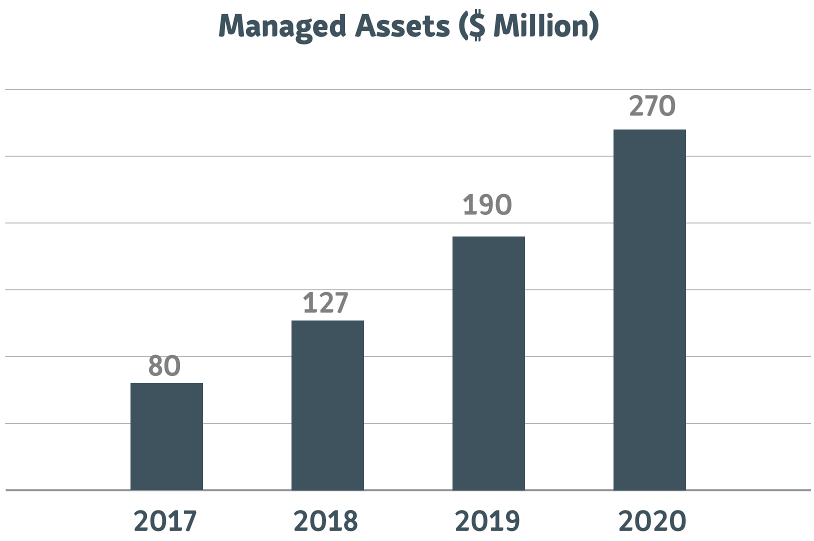


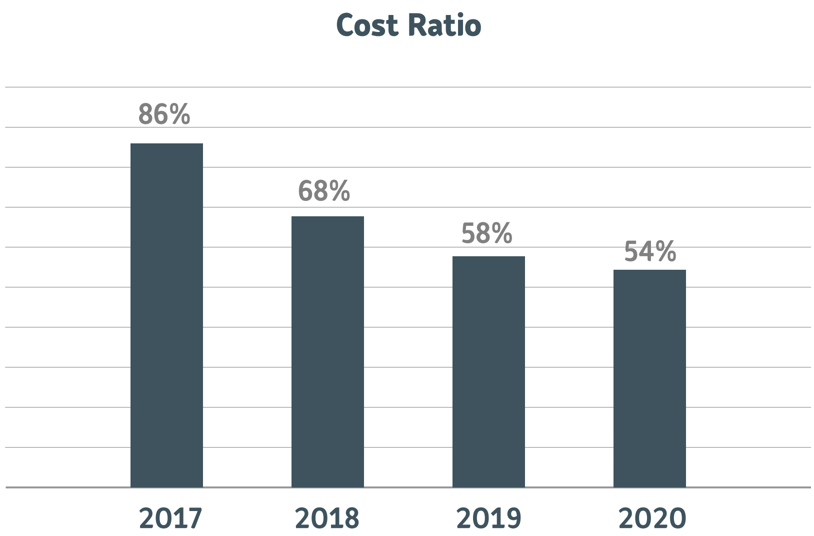
Return on Shareholders' Equity



Some of the main activities in 2020 include:

- Achieving profits that exceeded the set budget before the pandemic by 51% in the brokerage section and 25% in the asset management section
- Expanding the scope of services to include an application that provides users with an opportunity for trading in currencies (CapInvest Forex)
- Increasing in the level of managed assets to about $300 million
- Signing eight agreements in the corporate financing section valued at $120 million
- Achieving positive results at the level of all departments including financial brokerage, asset management, and company financing consultancy





Capital Investment provides a full range of services across several markets to a select group of local and regional clients, particularly enterprises, government agencies and authorities, and high net worth individuals. The company achieved positive results last year across all departments, including financial brokerage, asset management, and corporate finance consultancy.

Financial Brokerage in Local, Regional, and International Markets

The company's local brokerage department continued to advance, ranking third in terms of trading volume in the Amman Stock Exchange in 2020, with a market share of 5.5%, maintaining its position among brokerage firms for the years 2018 and 2019.

The regional brokerage department continued to expand in providing trading services in all Arab markets for its clients via online and mobile phones through the CapInvest Trader application, which provides the ability to buy and sell shares and different financial securities in Arab and international markets for investors using smart devices. The application also provides investors with different investment information, spot prices, graphs and charts, and sock trading via a unified electronic platform. In 2020, the department launched a service to trade currencies and precious metals as well as main stock indexes through the CapInvest Forex platform.

The international brokerage department achieved large growth rates in 2020 with trading in different international markets reaching more than $1.2 billion, concentrated mostly in US markets, followed by the London Stock Exchange. The department provides a wide range of modern investment services, including buying and selling of global stocks and derivatives, including options and exchange traded funds (ETFs), in more than 24 international financial markets spanning North America, Europe, Asia, and the Pacific. In 2020, the department embarked on providing commodities trading, purchase and forward contracts, and contracts for differences (CFDs) to its clients through a cutting-edge and secure trading platform.

Asset Management

The Asset Management Department at Capital Investments strives, through the quality services provided to its growing corporate and individual client base, to take creative and innovative approaches to asset and wealth management, for the purpose of building long-term relations based on trust to arrive at solutions that fulfil their different objectives and capacities to accept risk.

Capital Investments currently manages about $300 million of assets through a wide range of asset categories including capital markets, fixed income, public shares, real estate, and ETFs.

The department's services include the following:
- Portfolio management
- Investment consulting
- Fixed income solutions and financial markets
- Investment funds and ETF solutions
- Sharia-compliant products
- Structured and specialized products

Corporate Finance

The Capital Investments' Corporate Finance Department offers a wide range of consulting and investment services, drawing from the extensive knowledge and expertise of its team members. In its services, the department targets the Jordanian, Iraqi, and Arab Gulf markets, which are covered by the work teams in Dubai, where the department was able to establish a record of successful operations. The department also engages a broad base of customers that private and public institutions as well as various financial institutions.

The Corporate Finance Department strives to build long-term relations with its clients, committing to achieving the financial requirements and strategic goals of each client with the purpose of achieving the best results that ensure sustainable business growth while maintaining an outstanding level of service.

The department's services include:

- Equity Instruments: Advising companies and investors on public and private placements and subscription to securities, including primary and secondary IPO instruments.
- Debt Instruments: Structuring and arranging long and short-term financing instruments, including issuance of bonds/Islamic sukuks and the management of bank group loans.
- Mergers and Acquisitions: The department manages mergers and acquisitions between companies with the aim of ensuring business growth and expansion. The department also arranges the financing of companies by selling shares and supervises the establishment of strategic partnerships.
- Financial Advisory: This includes advisory services related to capital ownership, restructuring and corporate valuation, in addition to consulting on capital structure and distribution between debt instruments, equity and other strategic consulting.
- Government Advisory: Providing input to government agencies on a wide range of transactions, including those related to financing government projects, joint ventures, privatization operations and partnership programs between public and private sector institutions.
- Project Financing: This includes providing distinct financial solutions related to project financing within various sectors, including real estate, infrastructure, water and energy, and other development projects.

Capital Investments (Dubai International Financial Center) Ltd.

Capital Investments (DIFC) is a subsidiary of Capital Bank Jordan and operates as an extension of the Group to provide banking investment services. It serves as a gateway into the Capital Bank Group in the Gulf Cooperation Council (GCC) states, providing a platform for the Group's clients in Jordan and Iraq to connect with international companies and investors located in the region, linking them with quality investment opportunities and projects. The company also provides a platform for investors and Emirati companies looking for opportunities to access Jordanian and Iraqi markets.

The reliable and solid framework provided by DIFC to investment banks through which to operate provides Capital Bank Group with the opportunity to work through a regional center that enjoys strong relations which supports its sustained growth and reinforces its access to markets. Hence, the company will continue to benefit from DIFC's strong organizational framework and to penetrate into markets, being basic foundations in future plans of growth.

The company's main areas of operation include corporate financing and business development and marketing the group. The company looks forward, as part of its priorities for 2020, to expand and increase its offered products and to work closely with the Asset Management and Capital Select teams to improve its business model and present it to the Group's clients.

Corporate Finance Department

The Corporate Finance Department provides financial consultancy and services designed to enable clients to achieve their strategic objectives by providing investment and financing opportunities through an extensive network of investors, private equity funds, sovereign wealth funds and strategic investors in the GCC and other global markets.

The Corporate Finance Department's team operates within a unified strategy and works closely with its sister company in Jordan to provide integrated and innovative solutions with expertise in mergers and acquisitions consulting, financial evaluation and modeling, capital growth, deal structuring, debt restructuring, as well as arranging project financing.

Despite the difficult economic environment and the state of uncertainty imposed by the coronavirus pandemic, the company maintained its growing client base and worked selectively in the defense and strategic sectors including education and natural resources. The team continued to focus on securing opportunities in Iraq, utilizing the group's unique experience in this market. In order to diversify income sources, it also worked closely with the assets management team and the Capital Select team to offer select real estate opportunities provided by directors of well-established funds in the United Arab Emirates. A number of deals were successfully completed in 2020. These are areas that are expected to continue growing in the coming years.

Business Development and Marketing

Due to its unique position in the marketplace, Capital Investments is considered a gateway for Emirati companies and multi-national corporations searching for commercial banking services in Iraq and Jordan. Over the past few years, the company's team succeeded in building an extensive network of corporate clients that currently work with the National Bank of Iraq and Capital Bank in Jordan through a wide range of commercial transactions and commercial financing. In 2020 in particular, the company provided consultation to a number of VIP clients who had started to use banking services in the country. The company will continue to adopt this method, being a major field of value to the Group, as the United Arab Emirates is considered a main center for regional and international companies operating with Iraq.

National Bank of Iraq

The National Bank of Iraq (NBI) continued its efforts to further develop the Iraqi banking market by providing unparalleled banking services, products, and integrated electronic services that meet the needs of both retail and corporate clients. These efforts are an integral part of Capital Bank Group's strategic vision and are unfailingly in line with the policies of the Central Bank of Iraq.

NBI's Activities:

NBI offers a complete suite of banking services to individuals and Iraqi commercial companies, as well as to regional and international commercial enterprises through its wide network of regional and international correspondent banks. Capital Bank, which owns approximately 62% of the bank's capital, is NBI's gateway to global economies, facilitating internal and external transfers, providing credit limits, and supporting trade finance services.

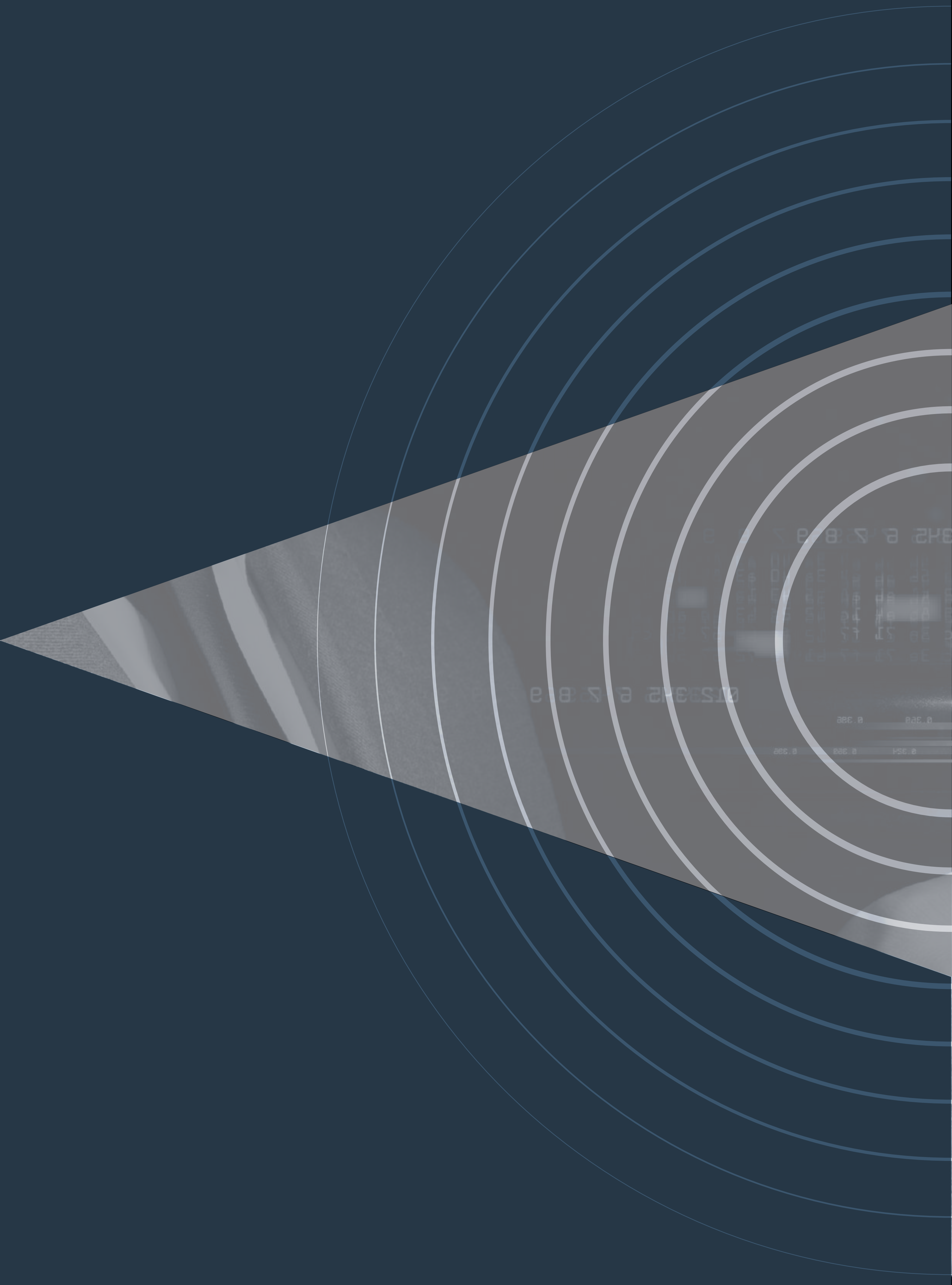
Moreover, NBI is able to trade on behalf of its clients on the regional and international markets through Capital Investments, the investment arm of Capital Bank. This is in addition to offering trading services for its clients in the Iraqi securities market through its fully-owned subsidiary brokerage services company, Palm Oasis, by selling and buying limited liability securities. NBI carries out its work using an advanced core banking system that supports its growth and serves all its clients. The bank and its subsidiary prepare their own financial reports according to international accounting standards, and their work is audited by certified local and international auditors.

NBI provides a set of banking services to individuals and companies alike:

- Customer accounts of all types (current accounts, savings accounts and fixed deposits in Iraqi dinar, US dollar or any other major currency)
- Electronic channels and services, including the globally recognized Visa Electron credit cards, online banking services, and a call center that is dedicated to answering client questions and providing immediate solutions
- A network of ATMs through which clients can withdraw cash, inquire about account balances, and make transfers between accounts, in addition to other services
- An SMS service that alerts clients of withdrawals and deposits in real time
- Salary transfer services for the public sector, which benefit government departments and ministries within the salary domiciling project, which is also available to private-sector companies
- Credit facilities for individuals, including personal loans and credit cards, in return for salary transfer
- Specialized services provided to large, medium, and small enterprises, with a dedicated section serving major companies that issues and receives letters of credit, letters of guarantee, bank transfers, all types of banking facilities, currency trading, as well as participation in the foreign currency auction organized by the Central Bank of Iraq
- Brokerage services through Palm Oasis, including the sale and purchase of securities in Iraq
- Expedited transfer services using Western Union's global network
- Pre-paid credit card services
- Online shopping cards
- Zain Cash services
- Online and mobile banking services for individuals
- Online banking services for companies

Bank's Future Plans

- Complete the process to acquire the branches of Bank Audi operating in Iraq by the National Bank of Iraq
- Continue to expand NBI's ties with international establishments
- Launch the electronic wallet service for retail and corporate clients
- Activate the electronic wallet service in cooperation with Asia Hawala (Asia Transfer)
- Implement the IT governance project according to the Central Bank of Iraq's instructions and COBIT 2019
- Upgrade the electronic archiving system according to the Central Bank of Iraq's instructions
- Implement the Onboarding Process system to open salary accounts for the private and public sectors through the electronic channels services
- Provide investment services for the bank's clients and those of other Iraqi banks in the stocks and bonds markets regionally and internationally by activating a joint cooperation and marketing agreement with the Capital Investments Jordan
- Establish a center for recuperation from catastrophes for the bank's main servers in the area of Karbala
- Continue to expand the process of domiciling government employees' salaries
- Continue to expand the process of domiciling private sector employees' salaries
- Continue to expand opening branches in all Iraqi governorates
- Continue to expand the installation of ATMs throughout Iraqi governorates
- Continue to expand extending loans to SMEs through the Central Bank of Iraq's initiative



Analytical Overviewof Domestic and Global Economic Performance

Economic Growth

Initial results of the gross domestic product (GDP) quarterly estimates at fixed market prices for the third quarter of 2020 indicate a decrease amounting to -2.2%, compared with a 1.9% growth in the third quarter of 2019.

This is largely due to the fact that growth in the first quarter was 1.3%. In the second quarter, the economy was affected by the coronavirus pandemic, which included lockdowns and complete and partial closures for a period of almost two months. During this period, growth retreated to -3.6%.

Indicator	2014	2015	2016	2017	2018	2019	2019 Oct.	2020 Oct
GDP at Current Prices (US$ bn) –H1	36.9	38.6	39.9	41.5	43.0	44.6	20.8	20.6
Real GDP Growth Rate (%) –H1	3.4	2.5	2.0	2.1	1.9	2.0	1.9	-1.2
GDP Per Capita at Current Prices (US$)	4191	4054	4077	4125	4170	4223	-	-

Components of Gross Domestic Product (GDP) for the Third Quarter of 2020

Sector	Sector's Contribution (%)	Contribution to Decrease*
Agriculture	4.1	0.07
Mining and Quarrying	1.8	0.07
Transformational Industries	18.0	-0.57
Electricity and Water	2.0	-0.04
Construction	3.1	-0.13
Trade, Hotels and Restaurants	10.6	-0.43
Transport and Communications	8.0	-0.52
Finance, Insurance, and Real-Estate Services	18.3	0.18
Social and Private Services	8.6	-0.40
Producers of Government Services	12.8	0.07
Cost of Service	3.2	0.08
Net Taxes on Products	13.6	-0.38

Main Components of Industrial Production Prices Quantities Index

The general index for industrial production prices decreased during the first nine months of 2020 to 110.52 against 119.98 for the same period of 2019, with the index decreasing by 7.88%. This was the result of the decrease in the index for transformative industries by 7.48 percentage points, whose relative importance is 86.0%, and the index for mining industries by 0.41 percentage points, whose relative importance is 8.2%. The index for electricity increased by 0.02 percentage points, with a relative importance of 5.8%.

Figure 1: General Index for Industrial Production Prices by Month for 2019 and 2020

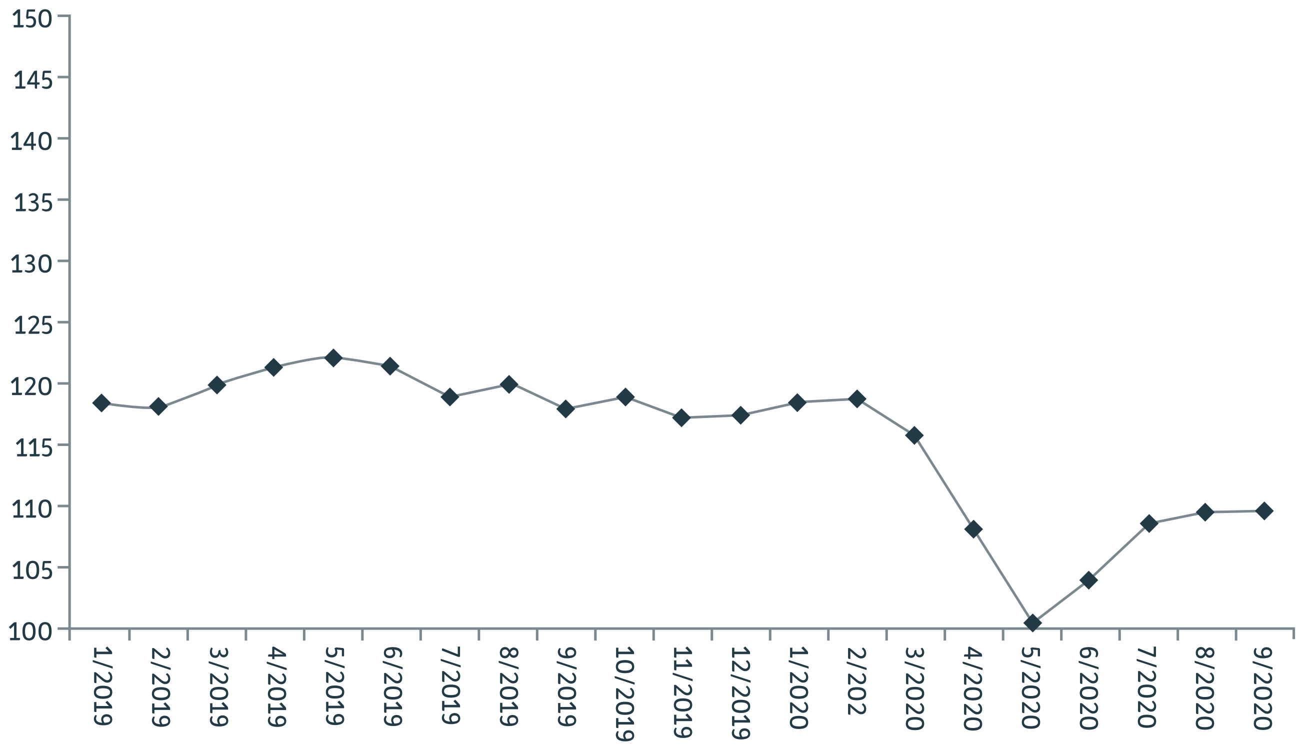


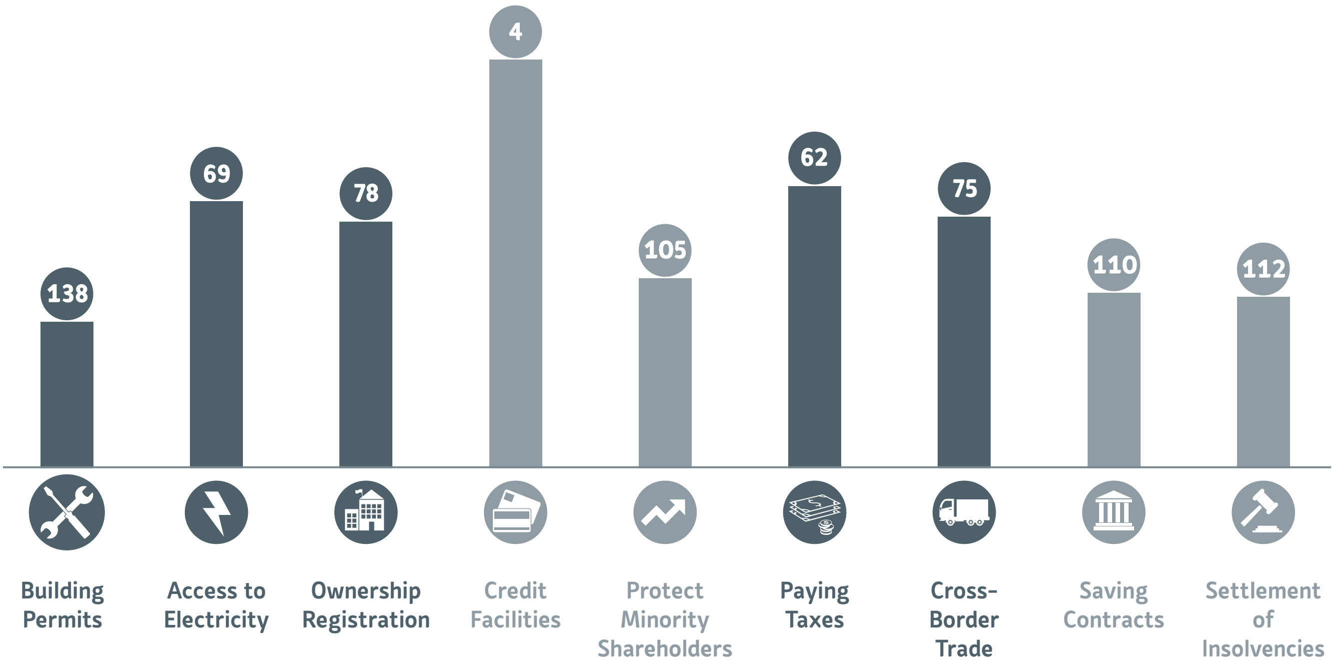
Table: Average Monthly and Cumulative Changes for the Industrial Production Prices by Month for 2019 and 2020

Month Year	Jan	Feb	March	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec
2019 Monthly	-2.3	-0.3	1.5	1.3	0.6	-0.6	-2.1	0.9	-1.6	0.8	-1.5	0.2
2020 Monthly	0.89	0.29	-2.48	-6.67	-6.99	3.41	4.45	0.87	0.11	-	-	-
2020 Cumulative	-0.03	0.26	-0.97	-3.50	-6.40	-7.73	-7.86	-8.05	7.88	-	-	-

Business Activities Report 2020

- Jordan ranked 75th internationally on the Ease of Doing Business Index, showing an improvement in the report's 2020 edition in the areas of access to credit, payment of taxes, and treating insolvency.
- For the first time, Jordan joined the ranks of major countries in implementing reforms, with three reforms implemented. Jordan reinforced the potential for access to credit by implementing a new law for guaranteed transactions, amending the insolvency law, and launching a modern consolidated guarantee register based on notification.

In addition, Jordan facilitated tax payments through tax notifications and paying work and mandatory subscription taxes electronically.



17.8% Decrease in the Trade Balance during the First Eleven Months of 2020.

The trade balance deficit, representing the difference between the value of imports and total exports, amounted to JD5888.2 million. The deficit decreased during the first eleven months of 2020 by 17.8% compared to the same period in 2019.

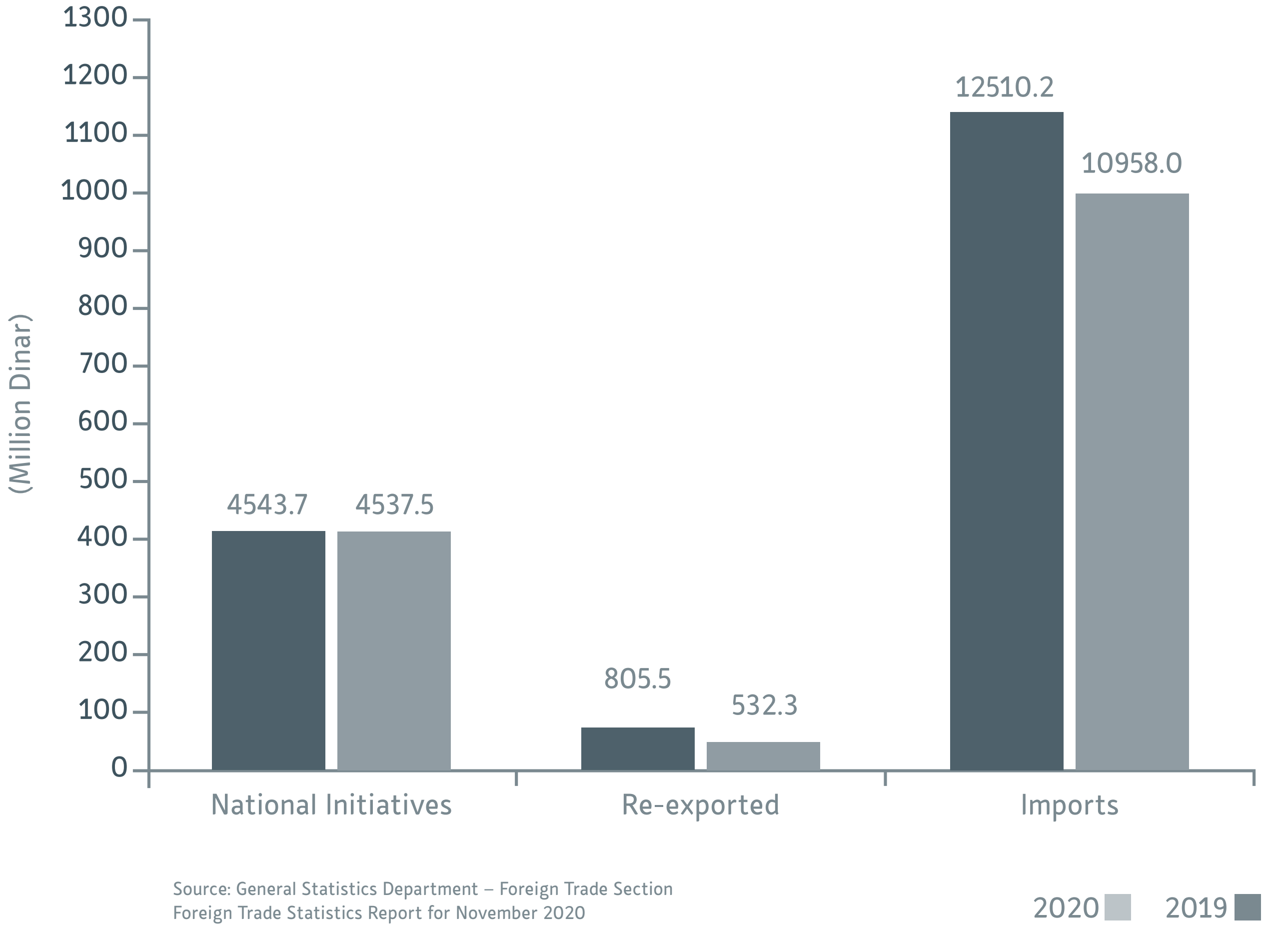
The rate of total export coverage of imports amounted to 46.3% during the first eleven months of 2020, compared to 42.8% during the same period in 2019, an increase of 3.5 percentage points.

The total value of exports during the first eleven years of 2020 reached JD5069.8 million, with a decrease of 5.2% compared to the same period in 2019. The value of national exports during the first eleven months of 2020 amounted to JD4537.5 million, a decrease of 0.1% compared to the same period in 2019.

Reimports amounted to JD532.3 million during the first eleven months of 2020, a decrease of 33.9% compared to the same period in 2019,

Imports amounted to JD10958.0 million during the first eleven months of 2020, a decrease of 12.4% compared to the same period of 2019.

Figure (1): Foreign Trade during the First Eleven Months of 2019 and 2020



Source: General Statistics Department – Foreign Trade Section
Foreign Trade Statistics Report for November 2020

Direct Foreign Investment

Net direct foreign investment flowing into the Jordanian market decreased at the rate of 12.8% on an annual basis during the first nine months of last year.

Net direct foreign investment amounted to JD473.1 million ($667 million) at the end of September 2019. Net direct foreign investment in the Kingdom amounted to JD542.5 million ($764.9 million) during the same period in 2018.

Net direct foreign investment reached its peak in 2008, amounting to JD2 billion ($2.8 billion).

Public Debt

Jordan's public debt increased during the first eleven months of last year by 10.1% to reach JD26.39 billion ($37.2 billion) compared to JD23.9 billion at the end of 2019.

At the end of November, Jordan's internal debt amounted to JD12.76 billion, while the foreign debt amounted to about JD13.6 billion.

Jordan's public debt is equivalent to 84.4% of the Kingdom's GDP.

The Ministry of Finance recently changed its methodology of calculating its public debt by excluding its debt from the Social Security Investment Fund, amounting to JD6.67 billion.

Performance of the Amman Stock Exchange in 2020
The ramifications of the coronavirus pandemic had a clear effect on the Amman Stock Exchange's performance and on the companies listed on it, as was the case in all Arab and international stock exchanges, which were affected to different degrees. These ramifications, the closure of economic sectors, as well as the preventive measures taken to mitigate the spread of the pandemic formed pressing conditions on the world economies and company activities, as was the case for the Jordanian national economy and companies.

Trading in 2020 decreased to JD1 billion at a rate of 33.9% compared to JD1.6 billion in 2019.
The number of traded shares of stock in 2020 reached about 1.1 billion shares traded in 421,000 contracts, compared to JD1.2 billion shares traded in 2019 in 503,000 contracts.

As for the general price index of shares weighted against free float shares (ASE100) of the Amman Stock Exchange, it dropped to 1657.2 points at the end of 2020, compared to 1815.2 points at the end of 2019, a drop of 8.7%, in addition to a drop of the general price index of stock prices weighted against free float stocks (ASE20), reaching 806.5 points at the end of 2020 compared to 891.0 points at the end of 2019, a drop of 9.5%.
The market value of stocks listed on the Amman Stock Exchange at the end of 2019 dropped to JD12.9 billion, a decrease of 13.5% compared to the market price of listed stocks at the end of 2019.
Hence, the total value of stocks listed on the Amman Stock Exchange in 2020 formed 41.5% of GDP.

Ownership of Non-Jordanian Investors

Shares of stock bought by non-Jordanians at the Amman Stock Exchange in 2020 amounted to JD96.9 million, at a rate of 8.9% of total trading.

The value of stocks sold by non-Jordanians amounted to JD164.4 million. Hence, net non-Jordanian investment amounted to negative JD67.5 million. The value of non-Jordanian investment amounted to JD114.1 million for the same period of 2019.

The rate of non-Jordanian investors in companies listed on the stock exchange reached about 51.1% of the total market value in 2020. Arab participation reached 32.5% and non-Arab participation amounted to 18.6% of the stock exchange's total market value.

At the sectoral level, the rate of non-Jordanian investor participation in the companies listed on the Amman Stock Exchange in the financial sector reached 53%, 19.3% in the services sector, and 64.5% in the industrial sector.

Area of Licensed Buildings

The total area of licensed buildings during the first eleven years of 2020 amounted to about 4986 thousand square meters compared to 6424 thousand square meters during the same period of 2019, a decrease of 22.4%.

The total number of building permits issued in the Kingdom reached 16677 during the first eleven months of 2020, compared to 19822 permits during the same period of 2019, a decrease of 15.9%.

Building space licensed for residential purposes during the first eleven months of 2020 reached about 4327 thousand square meters compared to about 4923 thousand square meters during the same period of 2019, a drop of 12.1%.

Building space licensed for non-residential purposes during the first eleven months of 2020 reached about 659 thousand square meters compared to about 1501 thousand square meters during the same period of 2019, a drop of 56.1%.

Building space licensed for residential purposes during the first eleven months of 2020 represented 86.8% of the total licensed area, while the area licensed for non-residential purposes represented 13.2% of the total licensed area.

Building Licenses in the Kingdom during 2020

In 2020, building permits in the Kingdom were issued for a total 5,721 thousand square meters, compared to 7,080 thousand square meters in 2019, which is a decrease of 19.2%.

Also in 2020, 19,200 building licenses were issued in the Kingdom, compared to 22,080 licenses in 2019, which is a decrease of 13%.

The area of residential buildings licensed in 2020 was approximately 4,960 thousand square meters, compared with about 5,495 thousand square meters in 2019, a decrease of 9.7%, while the area of buildings licensed for non-residential purposes during 2020 was about 761 thousand square meters, compared to about 1,585 thousand square meters during 2019, a decrease of 52%.

Licenses for residential buildings in 2020 made up 86.7% of the total area of licensed buildings, while the area of non-residential buildings accounted for 13.3% of the total area of licensed buildings.

National exports and imports during 2020

The total value of exports during 2020 was approximately JD5,639.7 million, registering a decrease of 4.5% compared to the same period in 2019, while the value of national exports during 2020 increased by 1.0%, reaching JD5,044.4 million compared to the same period in 2019.

The value of re-exports amounted to JD595.3 million during 2020, a decrease of 34.6% compared to the same period in 2019. Also in 2020, imports amounted to JD12,077.8 million, registering a decrease of 11.3% compared to the same period in 2019.

Trade balance

The deficit in the trade balance, which represents the difference between the value of imports and the total value of exports, reached JD6,438.1 million in 2020, a decrease of 16.5% compared to the same period in 2019.

The total rate of export coverage for imports reached 46.7% during 2020, up from 43.4% during the same period in 2019, an increase of 3.3%.

Global Economic Horizons

General Overview

Although the global economic product is recovering from the collapse resulting from the coronavirus pandemic, it is expected to remain, for a long time, short of its general trends before the spread of the pandemic which led to the exacerbation of risks accompanying a wave of international debt accumulation that has continued for ten years.

It is also likely that the increasingly sharp slowdown in growth will extend well into the next decade. The main and most immediate priorities are to mitigate the spread of the virus, extend assistance and relief to less fortunate populations, and to overcome the challenges associated with the vaccine.

In view of the severe weakness of public finance centers, which constricts government support measures in many countries, there is a need to focus on ambitious reforms in order to revive strong growth.

International cooperation is considered vital to confronting many of these challenges.

Global Outlooks

In the wake of the collapse resulting from the coronavirus pandemic last year, the gross global product is expected to grow by 4% in 2021. It will remain, however, below the pre-pandemic expectations.

Negative risks include a new spread of the pandemic, delays in the vaccination process, and sharper effects on the potential product as a result of the pandemic as well as pressures on public budgets.

The high level of uncertainty highlights the role of policymakers in increasing the potential for achieving better results while averting bad results.

Measures at policy levels will require balancing risk stemming from an increase in debt burdens with risk resulting from premature financial tightening, in addition to reinforcing flexibility by protecting health and education and improving governance and debt transparency.

Sector	%				
	2018	2019	2020	2021	2022
World	3.0	2.3	-4.3	4.0	3.8
Developed Countries	2.2	1.6	-5.4	3.3	3.5
Emerging Markets and Developing Countries	4.3	3.6	-2.6	5.0	4.2
East Asia and Pacific Region	6.3	5.8	0.9	7.4	5.2
Europe and Central Asia	3.4	2.3	-2.9	3.3	3.9
Latin America and the Caribbean	1.9	1.0	-6.9	3.7	2.8
Middle East and North Africa	0.5	0.1	-5.0	2.1	3.1
South Asia	6.5	4.4	-6.7	3.3	3.8
Sub-Saharan Africa	2.6	2.4	-3.7	2.7	3.3

Regional Outlooks

The pandemic has imposed huge costs on all developing regions. It is expected that the recovery pace will vary substantially, together with a clear weakness in countries afflicted with wider spreads or those more exposed to international repercussions through tourism and the export of industrial raw materials.

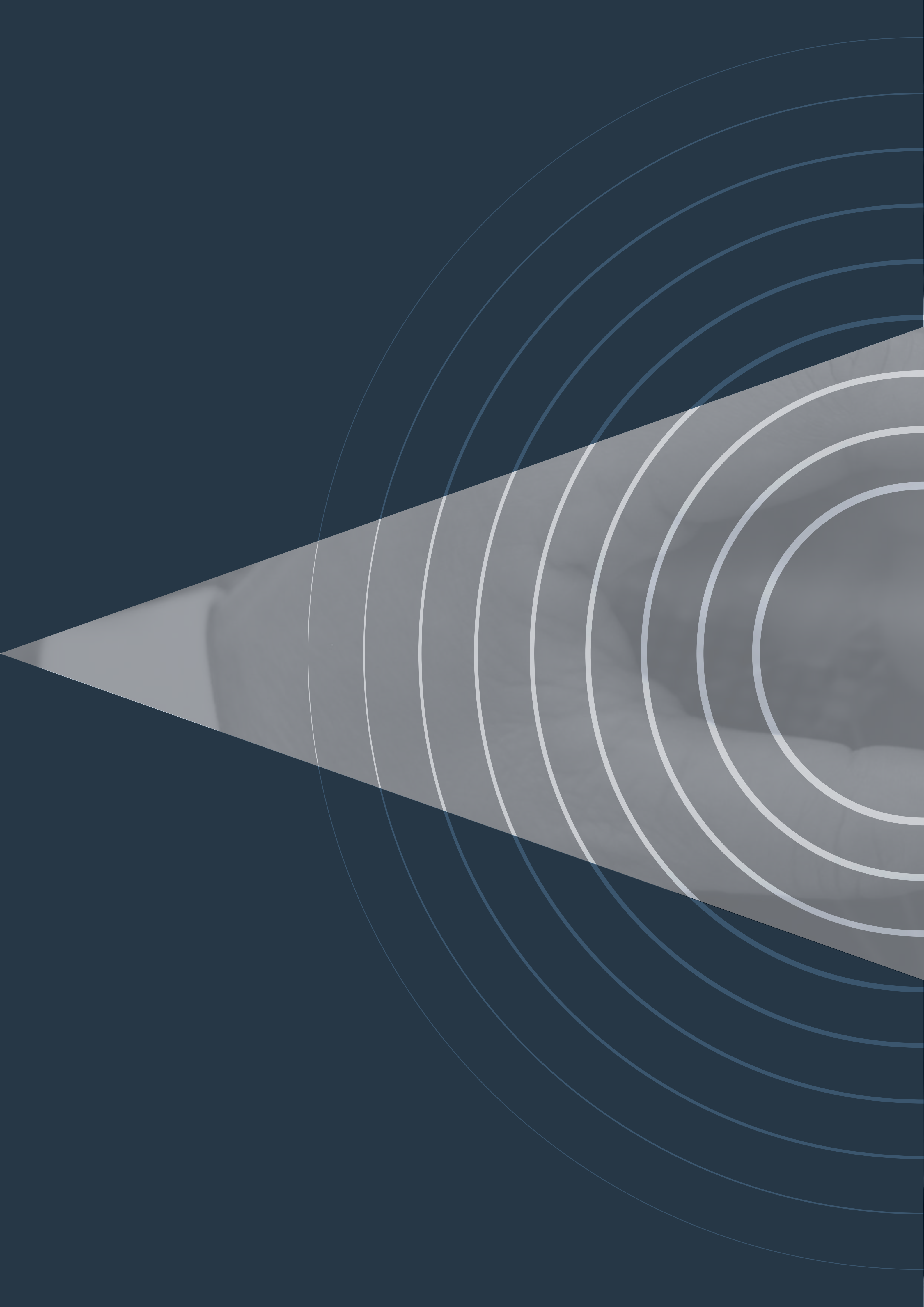
It is also likely that many countries will lose the gains they have achieved over ten years or more in terms of per capita income. Risks border on the negative side, and all regions are susceptible to another surge in the spread of the virus, logistical obstacles related to the distribution of vaccines, pressures on public finance coupled with an increase in public debt, and the potential for growth rates and income being seriously affected in the long term by the pandemic.

- Europe and Central Asia: The region’s economy is expected to grow by 3.3% in the current year.

- Middle East and North Africa (MENA): Economic activity is expected to grow in the MENA region by 2.1% in the current year.

- South Asia: Economic activity is expected to grow in the region by 3.3% in 2021.

- Sub-Saharan Africa: Economic activity is expected to grow in the region by 2.7% in 2021



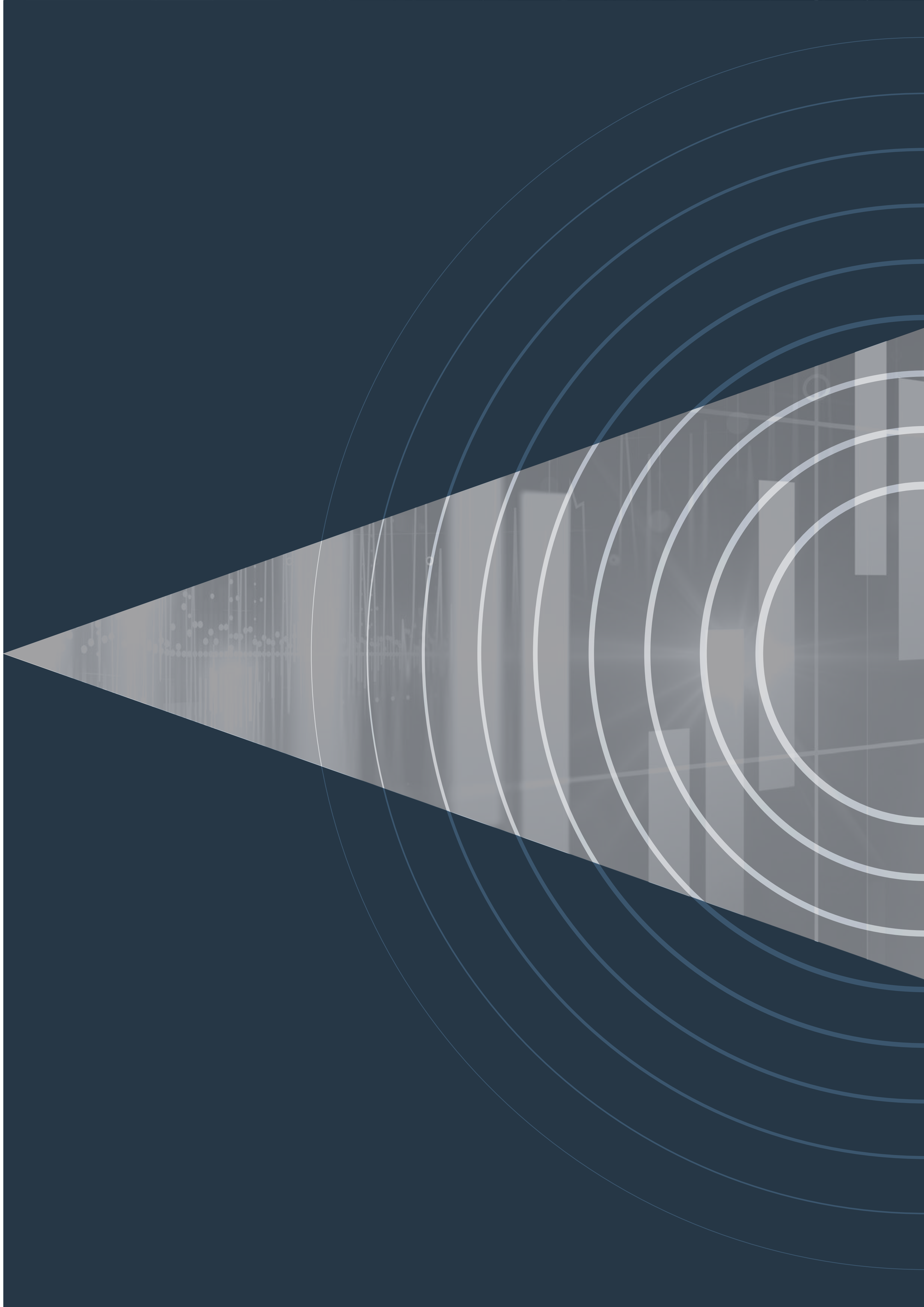
Corporate Governance Guide

Corporate Governance Guide

To access Capital Bank’s Corporate Governance Guide,

please click on the following link:

https://rb.gy/5vdvza



Consolidated Financial Statements
31 December 2020

Independent auditor's report
To the shareholders of Capital Bank of Jordan – Public Shareholding Company
Amman– the Hashemite Kingdom of Jordan

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capital Bank of Jordan (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as amended by the Central Bank of Jordan instructions.

What we have audited

The Group's consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2020.
- The consolidated statement of income for the year then ended.
- The consolidated statement of comprehensive income for the year then ended.
- The consolidated statement of changes in equity for the year then ended.
- The consolidated statement of cash flows for the year then ended.
- The notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our Audit Approach

Overview

Key Audit Matter | Measurement of Expected Credit Losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We have designed the scope of the audit to perform sufficient procedures that enable us to express an opinion on the consolidated financial statements as a whole, taking into account the Groups structure, accounting processes, controls and business segments.

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 of the current period. 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.

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses The Group applies the Expected Credit Loss model (ECL) on all its financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments in accordance with International Financial Reporting Standards as amended by the Central Bank of Jordan instructions. The Group exercises significant judgement and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria.	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2020: • We assessed and tested the design and operating effectiveness of the controls over the calculation of the excepted credit losses model. • We tested the completeness and accuracy of the data used in the calculation of ECL. • For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria.

Key audit matter	How our audit addressed the key audit matter
For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral. The Group's impairment policy under IFRS 9 as amended by the Central Bank of Jordan Instructions is presented in Note (3) to the consolidated financial statements. Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions.	We involved our internal specialists to assess the following areas: Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9 as amended by the Central Bank of Jordan instructions. ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) for the Group's classes of financial instruments. Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk. Recalculation of the expected credit losses for a sample of the impaired financial assets at each stage. Evaluating the impact of COVID 19 on expected credit losses model in relation to the future economic outlook, macroeconomic data, the probability of default, and the losses resulting from default and its associated weights.
	In addition, for the Stage 3 corporate portfolio, the appropriateness of provisioning assumptions were independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit file. For the Stage 3 retail portfolio, assumptions were independently assessed for each product category and an independent view was formed on the levels of provisions recognised at each category level. We recalculated the provision for non-performing loans in accordance with the Central Bank of Jordan Instructions Number (47/2009). We compared the expected credit loss calculated in accordance with IFRS 9 as amended by the Central Bank of Jordan Instructions with the provision for expected credit losses calculated in accordance with the instructions of the Central Bank of Jordan No. (47/2009) and ensured that the Group has recorded whichever is higher. We assessed the consolidated financial statement disclosures to ensure compliance with IFRS 7 and IFRS 9 as amended by the Central Bank of Jordan Instructions. We have also ensured completeness and accuracy of the disclosures by verifying the information to accounting records.

Other Information

The directors are responsible for the other information. The other information comprises all the other information included in the Group's annual report for the year 2020 (but does not include the consolidated financial statements and our auditor's report therein), which 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 do not and 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 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as modified by the Central Bank of Jordan instructions. and with other identified applicable laws in the Hashemite Kingdom of Jordan, 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 consolidated financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Group maintains proper accounting records that are in agreement with the accompanying consolidated financial statements. We recommend that the General assembly of the Shareholders approve these consolidated financial statements.

For and on behalf of PricewaterhouseCoopers "Jordan"

Hazem Sababa
License No. (802)

Amman, Jordan
31 January 2021

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020	2019
		JD	JD
Assets			
Cash and balances with central banks	5	295,853,517	205,186,455
Balances at banks and financial institutions	6	142,537,265	98,268,335
Deposits with banks and financial institutions	7	-	403,875
Financial assets at fair value through statement of income	8	-	3,054,812
Financial assets at fair value through other comprehensive income	9	89,577,134	61,550,820
Loans valued at fair value through the income statement	10	112,529,504	108,831,500
Direct credit facilities, net amortized cost	11	1,302,958,951	983,024,041
Financial assets at amortized cost	12	563,884,457	482,827,092
Pledged Financial Assets	13	32,599,621	47,490,484
Property, plant and equipment, net	14	34,940,997	29,444,459
Intangible assets, net	15	11,180,010	3,351,178
Deferred tax assets	24	15,562,847	14,845,952
Other assets	16	143,237,975	144,399,907
Leased assets	17	3,943,039	3,695,089
Total Assets		**2,748,805,317**	**2,186,373,999**
Liabilities And Equity			
Liabilities			
Banks and financial institutions' deposits	18	138,058,853	113,793,443
Customers' deposits	19	1,674,212,806	1,306,022,582
Margin accounts	20	151,723,382	169,009,566
Loans and borrowings	21	329,991,227	165,319,524
Income tax provision	24	4,887,737	6,850,303
Deferred tax liabilities	24	2,815,978	2,616,165
Sundry provisions	23	3,518,481	4,922,010
Expected credit losses provision against off balance sheet items	52	4,360,854	3,606,009
Other liabilities	25	51,204,957	34,607,470
Leased assets	17	3,983,732	3,787,881
Subordinated loans	22	28,360,000	28,360,000
Total Liabilities		**2,393,118,007**	**1,838,894,953**
Equity			
Equity attributable to the Bank's shareholders			
Paid in capital	26	200,000,000	200,000,000
Additional paid in capital		709,472	709,472
Statutory reserve	28	44,186,425	41,201,491
Treasury Stocks		(2,707,491)	-
Foreign currency translation adjustments	29	(16,540,837)	(5,223,143)
Fair value reserve	30	3,619,029	1,636,797
Retained earnings	32	78,096,479	55,404,849
Net equity attributable to the Bank's shareholders		**307,363,077**	**293,729,466**
Non-controlling interest		**48,324,233**	**53,749,580**
Net Equity		**355,687,310**	**347,479,046**
Total Liabilities and Equity		**2,748,805,317**	**2,186,373,999**

Consolidated Statement Of Income

For the Year Ended 31 December 2020

	Notes	2020	2019
		JD	JD
Interest income	33	130,286,038	114,725,887
Less: Interest expense	34	61,216,002	59,831,061
Net interest income		**69,070,036**	**54,894,826**
Commission income		27,612,010	26,854,658
Less: commission expense		3,198,108	1,808,679
Net commission income	**35**	**24,413,902**	**25,045,979**
Gain from foreign currencies	36	11,648,029	2,541,112
Gain from financial assets at fair value through income statement	37	-	305,547
Dividends income from financial assets at fair value through other comprehensive income	9	233,577	230,086
Gain from sale of financial assets at fair value through other comprehensive income -debt instruments	9	1,070,702	608,362
Other income	38	4,224,694	10,035,130
Net Income		**110,660,940**	**93,661,042**
Employees’ expenses	39	21,508,460	23,492,944
Depreciation and amortization	14-15-17	6,347,745	6,056,762
Other expenses	40	18,945,164	18,091,797
Donations due to COVID-19		1,178,739	-
Loss on sale of seized property		116,202	528,369
Expected credit losses on financial assets	47-1-a	24,545,414	7,009,726
Impairment on seized assets, net	16	(16,038)	1,253,887
(Return from) Sundry provisions	23	27,740	98,700
Total expenses		**72,653,426**	**56,532,185**
Income before tax		**38,007,514**	**37,128,857**
Less: Income tax expense	24	7,705,436	8,312,080
Net profit for the year		**30,302,078**	**28,816,777**
Attributable to:			
Bank’s shareholders		25,956,079	25,100,836
Non - controlling interest		4,345,999	3,715,941
		30,302,078	28,816,777
		JD/Fils	JD/Fils
Basic and diluted earnings per share	41	0.130	0.126

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

	2020	2019
	JD	JD
Income for the year	**30,302,078**	**28,816,777**
Add: items that may be reclassified to profit or loss in subsequent periods after excluding the impact of tax		
Exchange differences on translation of foreign operation	(19,045,355)	-
Change in the fair value of debt instruments at fair value through other comprehensive income - debt instruments	2,469,181	2,142,448
Gains from sales of debt instruments at fair value through other comprehensive income moved to income statement	(1,070,702)	(608,362)
Add: items that will not be reclassified to profit or loss in subsequent periods after excluding the impact of tax		
Change in the fair value of equity instruments at fair value through other comprehensive income-equity instruments	(69,427)	497,055
Total other comprehensive income for the year net of tax	**(17,716,303)**	**2,031,141**
Total comprehensive income for the year	**12,585,775**	**30,847,918**
Attributable to:		
Bank’s shareholders	16,341,102	27,120,022
Non-controlling interest	(3,755,327)	3,727,896
	12,585,775	30,847,918

Consolidated Statement of Changes in Owners Equity

For the Year Ended 31 December 2020

31 December 2020	Attributable to owners of the parent entity									
			Reserves							
	Issued and Paid in Capital	Additional paid in capital	Statutory	General banking risk	Foreign currency translation adjustments	Fair value reserve	*Retained earnings	Equity attributable to the Bank's shareholders	Non-controlling interest	Total equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at 01 January 2020	**200,000,000**	**709,472**	**41,201,491**	**-**	**(5,223,143)**	**1,636,797**	**55,404,849**	**293,729,466**	**53,749,580**	**347,479,046**
Profit for the year	-	-	-	-	-	-	25,956,079	25,956,079	4,345,999	30,302,078
Changes in foreign currency translations from foreign operations	-	-	-	-	(11,317,694)	-	-	(11,317,694)	(7,727,661)	(19,045,355)
Change in financial assets at fair value through other comprehensive income - debt instruments	-	-	-	-	-	2,817,728	-	2,817,728	(348,547)	2,469,181
Realized gainsfrom selling financial assets at fair value through other comprehensive income moved to income statement	-	-	-	-	-	(1,070,702)	-	(1,070,702)	-	(1,070,702)
Change in financial assets at fair value through other comprehensive income - equity instruments	-	-	-	-	-	(44,309)	-	(44,309)	(25,118)	(69,427)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(11,317,694)**	**1,702,717**	**25,956,079**	**16,341,102**	**(3,755,327)**	**12,585,775**
Transferred to retained earnings from losses on sale of equity instruments at fair value through other comprehensive income (note 9 - 29)	-	-	-	-	-	279,515	(279,515)	-	-	-
Transferred to reserves	-	-	2,984,934	-	-	-	(2,984,934)	-	-	-
Treasury stocks for subsidiaries	-	-	-	(2,707,491)	-	-	-	(2,707,491)	(1,670,020)	(4,377,511)
Balance at 31 December 2020	**200,000,000**	**709,472**	**44,186,425**	**(2,707,491)**	**(16,540,837)**	**3,619,029**	**78,096,479**	**307,363,077**	**48,324,233**	**355,687,310**

31 December 2019	Issued and Paid in Capital	Additional paid in capital	Statutory	General banking risk	Foreign currency translation adjustments	Fair value reserve	*Retained earnings	Equity attributable to the Bank's shareholders	Non-controlling interest	Total equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at 01 January 2019 as previously stated	**200,000,000**	**709,472**	**38,588,144**	**-**	**(5,223,143)**	**20,961**	**52,694,717**	**286,790,151**	**50,042,176**	**336,832,327**
Changes on initial application of IFRS 16	-	-	-	-	-	-	(180,707)	(180,707)	(20,492)	(201,199)
Restated balance at 1 January 2019	**200,000,000**	**709,472**	**38,588,144**	**-**	**(5,223,143)**	**20,961**	**52,514,010**	**286,609,444**	**50,021,684**	**336,631,128**
Profit for the year	-	-	-	-	-	-	25,100,836	25,100,836	3,715,941	28,816,777
Change in financial assets at fair value through other comprehensive income - debt instruments	-	-	-	-	-	2,019,186	-	2,019,186	11,955	2,031,141
Change in financial assets at fair value through other comprehensive income - equity instruments	-	-	-	-	-	2,019,186	-	2,019,186	11,955	2,031,141
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**2,019,186**	**25,100,836**	**27,120,022**	**3,727,896**	**30,847,918**
Realized (gains) losses from selling financial assets at fair value through other comprehensive income (Notes 9, 29)	-	-	-	-	-	(403,350)	403,350	-	-	-
Transferred to reserves	-	-	2,613,347	-	-	-	(2,613,347)	-	-	-
Cash dividends (Note 26)	-	-	-	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Balance at 31 December 2019	**200,000,000**	**709,472**	**41,201,491**	**-**	**(5,223,143)**	**1,636,797**	**55,404,849**	**293,729,466**	**53,749,580**	**347,479,046**

* Retained earnings include JD 15,562,847 which represents deferred tax assets as at 31 December 2020 against JD 14,845,952 as at 31 December 2019, according to the Central Bank of Jordan's regulations these balances are restricted.

* Retained earnings include JD 927,971 as at 31 December 2020 against JD 927,971 as at 31 December 2019, this amount represents unrealized gain as a result of early adoption of IFRS9 related to classification and measurement. This amount is not available for distribution according to the Securities and Exchange Commission regulations until the amount becomes realized.

- An amount equal to the negative balance of fair value reserve is restricted within retained earning and cannot be utilized, unless approval is taken from the Central Bank.
- Losses from revaluation of assets at fair value through income statement amounted to JD 12,405 as at 31 December 2020 against an amount of JD 12,405 as at 31 December 2019 which is restricted from utilization within the retained earnings, according to the Jordan Securities Commission.
- The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan. Regarding the implementation of IFRS 9 the Central Bank of Jordan issued Circular No.10/1/1359 on 25 January 2018 , allowing banks to transfer the balance of general banking risk reserve to retained earnings to reflect the impact of IFRS 9 on the opening balance of retained earnings as at 1 January 2018. The Circular also stipulates that the balance of a general bank risk reserve item is a restricted balance. Dividends may not be distributed as dividends to shareholders and may not be used for any other purpose except with the approval of the Central Bank of Jordan. The unutilized balance amounted to 8,840,593.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

Operating Activities	Notes	2020	2019
		JD	JD
Profit before income tax		**38,007,514**	**37,128,857**
Adjustments for Non-Cash Items			
Depreciation and amortization		**6,347,745**	**6,056,762**
Impairment loss on direct credit facilities		24,545,410	7,009,726
Loss from revaluation of financial assets at fair value through Income statement		-	12,405
Impairment on assets seized by the bank		(16,038)	1,253,887
Impairment losses (gains) and other sundry provisions		(27,740)	98,700
Net accrued interest (receivable) payable		(3,603,377)	3,813,697
Effect of exchange rate changes on cash and cash equivalents		(5,253,774)	213,141
Cash flows from operating activities before changes in assets and liabilities		**59,999,740**	**55,587,175**
Changes in assets and liabilities –			
Restricted balances		(4,934,347)	(27,095)
Restricted balances at central banks		4,092,925	13,332,612
Banks and financial institutions' deposits		(5,000,000)	5,000,000
Financial assets at fair value through Income statement		3,054,812	661,790
Direct credit facilities at amortized cost		(327,582,539)	(208,780,279)
Other assets		7,338,942	(27,916,217)
Banks and financial institutions' deposits maturing in more than three months		403,875	(404,385)
Customers' deposits		346,685,961	58,139,435
Margin accounts		(17,286,184)	25,469,233
Other liabilities		10,705,530	6,719,470
Paid sundry provisions		(547,238)	(3,959,971)
Net cash flow (used in) from operating activities before income tax		**76,931,477**	**(76,178,232)**
Income tax paid		(9,621,681)	(7,376,775)
Net cash flow (used in) from operating activities		**67,309,796**	**(83,555,007)**
Investing Activities			
Purchase of financial assets at fair value through other comprehensive income		(36,212,955)	(34,656,996)
Sale of financial assets at fair value through other comprehensive income		6,092,116	24,543,069
Purchase of financial assets at amortized cost		(55,305,272)	(75,627,108)
Sale / maturity of financial assets at amortized cost		(1,782,694)	86,383,441
Purchase of property and equipment		(10,937,383)	(4,195,060)
Purchase of intangible assets		(10,051,495)	(11,261,692)
Net cash flow used in investing activities		**(108,197,683)**	**(14,814,346)**
Financing Activities			
Proceeds from loans and borrowings		283,118,363	82,994,447
Repayment of loans and borrowings		(119,914,136)	(42,226,956)
Repayment of secondary loans		-	10,635,000
Treasury Shares		(4,377,511)	-
Cash dividends		-	(19,639,907)
Net cash flow (used in) from financing activities		**158,826,716**	**31,762,584**
Net cash and cash equivalents		117,938,829	(66,606,769)
Effect of exchange rate changes on National Bank of Iraq		(24,888,870)	-
Effect of exchange rate changes on cash and cash equivalents		5,253,774	(213,141)
Cash and cash equivalent at the beginning of the year	42	164,728,916	231,548,826
Cash and cash equivalent at the end of the year		**263,032,649**	**164,728,916**

Notes to the Consolidated Financial Statements

31 December 2020

(1) General Information

The Bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995 in accordance with the Companies Law No. 1 of (1989). Its registered office is in Amman.

The Bank provides its banking services through its thirteen branches located in Amman - Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd, National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd.

The Bank has subsequently increased its capital during prior years from JD 20 million to reach JD 200 million. The increases in capital were effected through capitalizing its distributable reserves, retained earning and private placements to shareholders, in addition to the participation of International Finance Corporation (IFC) which became a strategic partner.

Capital Bank of Jordan shares are listed at Amman Stock Exchange - Jordan.
The consolidated financial statements were approved by the bank's board of directors at its meeting No. 01/2021 on January 28, 2021 and are subject to the approval of the Central Bank and the General Assembly of Shareholders. Moreover, the Bank's Board of Directors approved the action to recommend a 12% cash dividend distribution to the Shareholders, and the decision is subject to the approval of Central Bank of Jordan and the Shareholders' General Assembly.

Capital Bank of Jordan prepared and issued the financial statements for the year 2020 separately, in accordance with IFRS.

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

The consolidated financial statements for the year ended 31 December 2020 for the Bank and its subsidiaries (together "the Group") were prepared in accordance with the standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee affiliated to the International Accounting Standards Board, as amended by the Central Bank of Jordan.

The main differences between the IFRSs as they must be applied and what has been approved by the Central Bank of Jordan are the following:

- Provisions for expected credit losses are formed in accordance with the instructions of the Central Bank of Jordan (No. 13/ 2018) "Application of the IFRS (9)" dated 6 June 2018 and in accordance with the instructions of the supervisory authorities in the countries in which the bank operates, whichever is stricter. The significant differences are as follows:

a) Debt instruments issued or guaranteed by the Jordanian government are excluded, so that credit exposures are treated and guaranteed by the Jordanian government without credit losses.
b) When calculating credit losses against credit exposures as per IFRS 9 instructions, the calculation results are compared with the Central Bank of Jordan instructions No. (47/2009) of 10 December 2009 for each stage separately and the stricter results are taken.

As stated in Central Bank of Jordan (CBJ) instructions for classification of credit facilities and calculating impairment provision No. (47/2009) dated 10 December 2009, the credit facilities are classified into the following categories:

a) Low Risk Credit Facilities, no provisions calculated on:
The credit facilities that have any of the following characteristics:
1) Granted to and Guaranteed by the Jordanian Government and to the governments of countries in which the Jordanian banks have foreign branches, provided that such facilities are held in the host country's currency.
2) 100% collateralized by cash margin (of the any-time outstanding amount).
3) 100% guaranteed by an acceptable bank guarantee.

b) Acceptable Risk Credit Facilities, no provisions calculated on:
The credit facilities that have the following characteristics:
1) Strong financial positions and adequate cash flows.
2) Legally documented and well covered by acceptable collaterals.
3) Good alternative cash resources for repayment.
4) Active movement of the relative account and timely payment of principal and interest.
5) Competent management of the obligor.

c) Watch-List Credit Facilities (Requiring special attention), impairment provisions are calculated on the below at a rate between 1.5% and 15%:
The credit facilities that have any of the following characteristics:
1) The existence of past dues of principal and/or interest for a period exceeding (60) days but less than (90) days.
2) Overdraft exceeding the approved limit by (10%) or more for a period exceeding (60) days but less than (90) days.
3) Credit facilities which were previously classified as non-performing loans, and then reclassified as performing loans according to rescheduling.
4) Acceptable risk credit facilities which have been restructured twice within 12 months.
5) Credit facilities that are more than (60) days old and less than (90) days have passed since their expiry date and have not been renewed.

The above is in addition to the conditions mentioned in details in the instructions.

d) Non-Performing Credit Facilities
The credit facilities that have any of the following characteristics:
1) The maturity of the credit facilities or of one of its installments, irregularity of repaying of principal and/or interest of credit facilities and / or dormant overdraft have been past due for the following periods:

Category	Days Overdue	Percentage of provision for the first year
Substandard	90 - 179 days	25%
Doubtful	180 - 359 days	50%
Loss	More than 360 days	100%

2) Overdraft facilities exceeding approved limits by (10%) or more for a period of (90) days or more.
3) Credit facilities which have matured and become invalid for a period of (90) days or more and have not been renewed.
4) Credit facilities extended to any obligor who went bankrupt, or to companies which were subjected to liquidation.
5) Credit facilities which have been restructured for three times within 12 months.
6) Overdrawn current and on demand accounts for a period of (90) days or more.
7) Guarantees claimed by the beneficiary and paid by the bank on behalf of the clients, where their values have not been debited to their accounts and are still unpaid for a period of (90) days or more.

- A low provision is calculated on credit facilities according to the instructions of 47/2009 for this category of facilities according to the above rates and the amount of the facilities not covered by acceptable guarantees during the first year, while the provision is completed for the amount covered by 25% over a period of four years.

- Interest and commissions are suspended on non-performing credit facilities and facilities classified as third stage granted to clients in accordance with the instructions of the Central Bank of Jordan and in accordance with the instructions of the supervisory authorities in the countries in which the bank operates, whichever is stricter.

- Assets that have been reverted to the Bank appear in the consolidated statement of financial position within other assets at the amount of which they were reverted to the Bank or the fair value, whichever is less, and are reassessed on the date of the consolidated financial statements individually. Any impairment in their value is recorded as a loss in the consolidated statement of profit or loss and the increase is not recorded as revenue. The subsequent increase is taken to the consolidated statement of profit or loss to the extent that it does not exceed the value of the previously recorded impairment. As of the beginning of 2015, a gradual provision was made for real estate acquired for more than 4 years against debts according to the Circular of the Central Bank of Jordan No. 4076/1/15 dated 27 March 2014 and No. 2510/1/10 dated 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 13967/1/10 dated 25 October 2018, in which the Circular No. 16607/1/10 dated 17 December 2017was approved for extension. The Central Bank of Jordan also confirmed postponing the calculation of the provision until the end of the year 2019. According to the Central Bank's Circular No. 16239/1/10 dated 21 November 2019, deduction of the required provisions against real estate acquired is made at the rate of (5%) of the total book values of these properties (regardless of the period of violation) as of the year 2021, so that the required percentage of 50% of these properties are reached by the end of the year.

- Additional provisions are calculated in the consolidated financial statements against some of the Bank's external investments in some neighboring countries, if any, according to the Central Bank of Jordan.

- The consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of financial assets at fair value through the consolidated income statement and financial assets at fair value through other comprehensive income that appear at fair value at the date of the consolidated financial statements, as well as financial assets and liabilities that have been hedged against the risks of change in their value at fair value.

The accounting policies used in preparation of the consolidated financial statements for the year ended 31 December 2020 are consistent with the accounting policies adopted for the year ended 31 December 2019 except as mentioned in Note 3 or 3-a.

(2-1) The foundations of unifying the consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (together the “The Group”). Control exists when the bank controls the subsidiaries and relevant activities, and is exposed, or has right, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets or liabilities, between the Bank and the following subsidiaries are eliminated in full:

1. Capital Investment and Brokerage Company Limited; of which the Bank owns 100% of its paid-in-capital amounted to JD 10,000,000 as at 31 December 2019. The company provides Brokerage services. The company was established on 16 May 2005.
2. National Bank of Iraq (NBI); of which the Bank owns 61.85% of its paid-in-capital of IQD 250 billion equivalent to JD 148,949,580 as at 31 December 2019. The Bank provides banking services, National Bank of Iraq was acquired effective 1 January 2005.
3. Capital Investment Fund Company Bahrain; of which the Bank owns 100% of its paid-in-capital of BHD 1,000 equivalent to JD 1,888 as at 31 December 2019. The purpose of the company is to manage mutual funds and it has not started its operations as of the date of preparing these consolidated interim condensed financial statements.
4. Capital Investments (DIFC) UAE; of which the bank owns 100% of its paid in capital of USD 250,000 (JD 177,250) as at 31 December 2019. The purpose of the company is to offer financial consulting services. The company was registered and incorporated on 23 February 2015. Capital Investments DIFC is working on renewing it’s licence, to be able to continue its activities of wealth management and client consultation.

The result of operations of the subsidiaries are consolidated in the consolidated statement of income from the acquisition date which is the date on which control over the subsidiaries is gained by the Bank. The results of operations of the disposed subsidiaries are consolidated in the consolidated statement of income up to the disposal date which is the date the bank loses control over the subsidiaries.

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

When preparing separate financial statements, investment in subsidiaries is recorded at cost, less impairment if any.

(2-2) Segment information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors and which are measured according to the reports used by the executive directors and key decision makers of the bank.
The geographical segment provides services and products in a certain economic environment that is subject to returns and risks that differ from other segments that operate in other economical environments.

(2-3) Revenue recognition

Interest income and expense for all financial instruments with the exception of those classified as held for trading or measured at fair value is recognized through the consolidated statement of income in “net interest income” as interest income and interest expense using the Effective interest method. Interest on financial instruments measured at fair value through the consolidated statement of income is also included in the fair value movement during the period.
An effective interest rate is the rate at which the estimated future cash flows of a financial instrument are

discounted during the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liabilities. Future cash flows are estimated by taking into account all contractual terms for the instrument.

Interest income / interest expense is calculated by applying the effective interest rate principle on the total carrying value of financial assets that are not credit impaired (i.e. on the basis of the amortized cost of the financial asset before settlement for any expected credit loss allowance) or to the amortized cost of financial liabilities. With regard to low credit financial assets (the third stage), interest will continue to be calculated and suspended during the same period in accordance with the instructions of the Central Bank of Jordan regarding the application of IFRS9. As for financial assets that have arisen or have been acquired and are of low credit rating, the effective interest rate reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the bank's consolidated statement of income also includes the effective portion of fair value changes to derivatives that are designated as hedging instruments in the cash flow hedges of interest rate risk. With regard to fair value hedges of interest rate risk around interest expenses and income, the effective portion of fair value changes for specific derivatives are also included, and fair value changes to the specific risk for the hedged item are also included in interest income and expense, and interest expense also includes the value of interest versus rental contract obligations.

(2-4) Net commission income

Net commission income and expense includes fees other than the fees that are an integral part of the effective interest rate. The commissions included in this part of the bank's consolidated income list also include commissions charged for the loan service, non-use commissions related to loan obligations when this is unlikely to result in a specific arrangement for lending and co-financing of loans.

For contracts with clients that result in recognition of financial instruments, part of which may be related to IFRS 9 or 15, case commissions are recognized in the part that relates to IFRS 9 and the remainder is recognized according to the International Financial Reporting Standard No. (15).

(2-5) Net trading income (Gains on financial assets at fair value through income statement)

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

(2-6) Net income from other financial instruments at fair value through income statement

Net income from other financial instruments at fair value through the statement of income includes all gains and losses resulting from changes in the fair value of financial assets and financial liabilities at fair value through the statement of income except for the assets held for trading. The Bank has elected to present the transaction at full fair value of the assets and liabilities at fair value through the statement of income in this line, including interest income, expenses and dividends.

The fair value movement of derivatives held for economic hedging is presented where hedge accounting is not applied in "net income from other financial instruments at fair value through the statement of profits or losses". However, with respect to the designated and effective fair value hedge relationship, the gains and losses on the hedging instrument are presented on the same line item in the income statement as a hedged item. With regard to certain and effective cash flows and hedge accounting relationships with respect to net investment, the hedging instrument gains and losses, including any hedging ineffectiveness included in the statement of income, are included in the same item as a hedged item that affects the statement of income.

(2-7) Dividend income

Dividend income is recognized when the right to receive payment is established, which is the preceding date for listed dividends, and usually the date on which shareholders agree to unquoted dividends.
The distribution of dividends in the consolidated statement of profits or losses depends on the classification and measurement of investment in shares, that is:

- In respect of equity instruments held for trading, dividend income is included in the statement of income in the statement of financial assets (losses) at fair value through the statement of income;
- For equity instruments classified at fair value through other comprehensive income, dividends are included in the statement of income in the item of dividends from financial assets at fair value through other comprehensive income
- For equity instruments not classified at fair value through other comprehensive income and not held for trading purposes, dividend income is recognized as net income from other instruments at fair value through the statement of income.

(2-8) Financial instruments

Initial Recognition and Measurement:

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to the fair value of the financial assets or financial liabilities, or deducted from them, as necessary, upon initial recognition, and the transaction costs directly related to the acquisition of financial assets are also recorded. Or financial liabilities at fair value through income statement directly in the income statement.

If the transaction price differs from the fair value at initial recognition, the bank addresses this difference as follows:

- If the fair value is established at a specified price in an active market for identical assets or liabilities or based on a valuation technique that uses only observable inputs in the market, the difference in income is recognized using initial recognition (i.e. income on the first day);
- In all other cases, the fair value is adjusted to match the transaction price (i.e. the first day's income will be deferred by being included in the initial carrying amount of the asset or liability).

After initial recognition, the deferred income will be taken to the statement of income on a logical basis, only to the extent that it arises from a change in a factor (including time) that market participants take into account when pricing the asset or liability or when the recognition is revoked of this tool.

(2-9) Financial assets

A) Initial Recognition

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Transaction costs that are directly attributable to the acquisition of financial assets designated at fair value through income are recognized in the consolidated statement of income.

B) Subsequent measurement

All recognized financial assets that fall within the scope of IFRS 9 (later) are required to be measured at amortized cost or fair value based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, specifically the following:

- The financing instruments maintained in the business model that aims to collect contractual cash flows, and which have contractual cash flows that are only principal and interest payments on the principal outstanding, are subsequently measured at amortized cost;
- Funding instruments held within the business model that aims to both collect contractual cash flows and sell debt instruments, which have contractual cash flows that are only principal and interest payments on the principal amount outstanding, and are subsequently measured at fair value through other comprehensive income
- All other financing instruments (such as debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through the statement of income.

However, the bank can choose for that to be irrevocable after initial recognition of the financial asset on a per-asset basis, as follows:

- The bank can make the irreversible selection by including subsequent changes in the fair value of the investment in non-held property rights for trading or a possible replacement recognized by the buyer within the business merger to which the IFRS 3 applies, in other comprehensive income
- The bank can determine indefinitely the financing instruments that meet the amortized cost or fair value criteria through other comprehensive income as measured by the fair value from the statement of profits or losses if that abolishes or significantly reduces the inconsistency in accounting (referred to as the value option Fair).

C) Debt instruments at amortized cost or fair value through other comprehensive income

For the purposes of testing principal and interest principal payments (SPPI), the asset is the fair value of the financial asset upon initial recognition. This principal amount may change over the life of the financial asset (for example, if the principal is repaid). Interest consists of the allowance for the time value of money, the credit risk associated with the principal amount outstanding during a specified period of time and other basic lending options and risks, as well as the profit margin. An evaluation of principal and interest payments is made on the principal amount in the currency in which the financial asset is denominated.

The contractual cash flows that represent principal and interest payments on the principal amount outstanding are consistent with the underlying financing arrangement. Contractual terms that involve exposure to risks or fluctuations in contractual cash flows that are not linked to the primary financing arrangement, such as exposure to changes in stock prices or commodity prices, do not lead to contractual cash flows that are only payments of principal and interest. Also, the granted or acquired financial asset can be a basic financing arrangement regardless of whether it is a loan in its legal form.

D) Business Model Assessment

The bank adopts more than one business model to manage its financial instruments that reflect how the bank manages its financial assets in order to generate cash flows. The bank's business models determine whether the cash flows will result from collecting contractual cash flows or selling financial assets, or both.

The bank considers all relevant information available when conducting an evaluation of the business model. However, this assessment is not performed on the basis of scenarios that the bank does not reasonably expect to occur, such as so-called "worst-case" or "stress-case" scenarios. The bank also takes into account all available relevant evidence such as the following:

- The policies and objectives announced for the portfolio and the application of those policies whether the management strategy focuses on obtaining contractual revenue, maintaining a specific rate of profit, and matching the period of financial assets with the period of financial liabilities that finance those assets or achieving cash flows through the sale of assets.
- How to assess the performance of the business model and the financial assets held in this business model and inform key management personnel about this; and
- Risks that affect the performance of the business model (and the financial assets present in that model), and in particular the way those risks are managed.
- How to compensate business managers (for example, whether compensation is based on the fair value of assets under management or on contractual cash flows collected).

Upon initial recognition of the financial asset, the bank determines whether the recently recognized financial assets are part of an existing business model or whether it reflects the beginning of a new business model. The bank reassesses its business models in each reporting period to determine whether the business models have changed since the previous period.

When the debt instrument measured at fair value through other comprehensive income is derecognized, the cumulative gain / loss previously recognized in other comprehensive income in equity is reclassified to the consolidated statement of income. In contrast, for equity investment measured at fair value through other comprehensive income, the cumulative gain / loss previously recognized in other comprehensive income is not subsequently reclassified to the consolidated statement of income but rather is transferred directly within equity.

Debt instruments that are subsequently measured at amortized cost or fair value through other comprehensive income are subject to a impairment test.

E) Financial assets – assess whether contractual cash flows are payments of principal and interest only:
For the purposes of this evaluation, "principal amount" is defined as the fair value of a financial asset at the date of the initial recognition. "Interest" is defined as the consideration of the time value of money, the credit risk associated with the principal of the amount outstanding during a specific time period, and other underlying borrowing costs (such as liquidity risk and administrative costs), as well as a profit margin.

In assessing whether contractual cash flows are only payments of principal and interest, the bank has considered the contractual terms of the instrument. This includes assessing whether the financial assets involve a contractual period that can change the timing or amount of contractual cash flows and therefore the condition does not meet payments only for principal and interest. In making this assessment, the bank considers:

- Emergency events that change the amount or timing of cash flows.
- Prepaid features and the possibility to extend.
- Conditions that define the bank's claim for cash flows from a specified asset.

F) Financial assets at fair value through income statement

Financial assets at fair value through income are the following:

- Assets with contractual cash flows that are not principal and interest payments on the principal outstanding, or / and
- Assets held within the business model other than those held to collect contractual cash flows or held for collection and sale; or
- Assets designated at fair value through income statement using the fair value option.

These assets are measured at fair value, with any gains / losses arising from re-measurement recognized in the consolidated statement of income.

G) Reclassification

If the business model in which the bank maintains financial assets changes, the financial assets that were affected will be reclassified. The classification and measurement requirements relating to the new category are applied prospectively from the first day of the first reporting period after the change in the business model that results in the reclassification of the bank's financial assets. Changes in contractual cash flows are considered within the framework of the accounting policy related to the amendment and exclusion of the financial assets shown below.

(2-10) Foreign exchange gains and losses

The carrying amount of financial assets recorded in foreign currency is determined and translated at the rates prevailing at the end of each reporting period. More specifically:

- Financial assets measured at amortized cost that are not part of a specific hedging relationship, it recognizes the difference in currency in the statement of profits or losses; and
- Debt instruments measured at fair value through other comprehensive income that are not part of a specific hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of income. Other exchange differences in other comprehensive income are recognized in the investment revaluation reserve; and
- Financial assets measured at fair value through the statement of profits or losses that are not part of a specific hedge accounting relationship, exchange differences from income are recognized in the statement of income;
- Equity instruments measured at fair value through comprehensive income, exchange rate differences in other comprehensive income are recognized in the investment revaluation reserve.

(2-11) Fair value option:

- A financial instrument with a fair value can be measured reliably at fair value through the consolidated statement of income (fair value option) upon initial recognition, even if the financial instruments are not acquired or incurred primarily for the purpose of selling or repurchasing. The fair value option for financial assets can be used if it substantially eliminates or reduces the inconsistency of the measurement or recognition that would otherwise have arisen from the measurement of assets or liabilities, or the recognition of related profit and loss on a different basis ("accounting mismatch"). The fair value option for financial liabilities can be chosen in the following cases:

- If the choice leads to the cancellation or substantially reduces accounting mismatch.
- If the financial liabilities are part of a portfolio managed on a fair value basis, according to a documented risk or investment management strategy.
- If there is a derivative included in the underlying financial or non-financial contract and the derivative is not closely related to the underlying contract.

These tools cannot be reclassified to fair value through the consolidated statement of income while they are held or issued. Financial assets designated at fair value through the consolidated statement of income are recorded at fair value with any unrealized gains or losses arising from changes in the fair value recognized in investment income.

(2-12) Expected credit losses:

The Bank recognizes loss allowances for expected credit loss on The following financial instruments that are not measured at fair value through The consolidated statement of income:
• Balances and deposits with banks and banking institutions.
• Direct credit facilities (loans and advances to customers).
• Financial assets at amortized cost (debt instrument securities).
• Financial assets at fair value through the statement of other comprehensive income - debt instruments
• Exposures off the balance sheet subject to credit risk (financial guarantee contracts issued).

Impairment loss is not recognized in equity instruments.

With the exception and notes Impairment losses are Purchased or Originated rating-Impaired' (POCI) financial assets (which are considered separately below), ECL are required to be measured through a loss allowance at an amount equal to:

• 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that can be realized within 12 months after the reporting date, referred to in Stage 1.
• 12-month ECL, i.e. lifetime ECL that result from those possible default events over the age of the financial instrument, referred to in Stage 2 and Stage 3.

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL are measured at an amount equal to the 12-month ECL.

ECL are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive, which arise from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For the limits not utilized, the expected credit loss is the difference between the present value of the difference between the contractual cash flows due to the Bank if the borrower withdraws the financing and the cash flows that the Bank expects to receive if the financing is utilized.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the instrument holder, the customer or any other party.

All other financial assets, with the exception of debt instruments carried at amortized cost, are subsequently measured at fair value.
The Bank measures ECL on an individual basis, or on the portfolio basis that share similar economic risk

characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a portfolio basis.

Provisions for expected credit losses are formed in accordance with the instructions of the Central Bank of Jordan No. (13/2018) "Application of the International Financial Reporting Standard (9)" dated June 6, 2018 and in accordance with the instructions of the supervisory authorities in the countries in which the bank operates, whichever is greater, that the fundamental differences are as follows:

When calculating credit losses against credit exposures, the calculation results are compared according to the IFRS (9) under the instructions of the Central Bank of Jordan No. (47/2009) of 10 December 2009 for each stage separately and the stricter results are taken.

Credit-impaired financial assets:
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty faced by borrower or issuer.
- Breach of contract, for example, default or delay in payment.
- The Bank grants the borrower a waiver for economic or contractual reasons related to the borrower's financial difficulty.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes possibility of a backstop if amounts are overdue for 90 days or more. However, cases where the asset's impairment is not recognized after (90) days of maturity, are supported by reasonable information.

Purchased or originated credit-impaired (POCI) financial assets:

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in the consolidated statement of income. A favourable change for such assets creates an impairment gain.
Definition of default:

The definition of default is deemed critical to the determination of ECL. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk as shown below.

- The Bank considers the following as an event of default:
• The borrower defaults for more than 90 days on any significant credit obligation to the Bank.
• The borrower is unlikely to pay his credit obligations to the of the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment of another obligation to the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

• Interest and commissions are suspended on non-performing credit facilities granted to clients in accordance with the instructions of the Central Bank of Jordan.
• Credit facilities and their suspended interest covered by provisions are transferred entirely off the consolidated statement of financial position, in accordance with the decisions of the Board of Directors in this regard.

When the Group purchases a financial asset and concludes an agreement simultaneously to resell the asset (or a substantially similar asset) at a fixed price at a later date (repurchase or borrowing shares), the consideration paid is calculated as a loan or advance, and the asset is not recognized in the Group's financial statements.

Significant increase in credit risk:
The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank will not consider that financial assets with 'low' credit risk at the reporting date did not have a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.
Multiple economic scenarios form the basis of determining the probability of default at initial recognition and

at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate financing, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, that can be obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as taking into consideration various internal and external sources of actual and forecast economic information. For retail financing, forward looking lending information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the date of reporting.
- The remaining lifetime PD at a point in time that was estimated based on facts and circumstances at the initial recognition of the exposure.

The PDs are considered forward-looking, and the Bank uses the same methodologies and data used to measure the expected credit loss provisions.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 40 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(2-13) Modification and de-recognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/ or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The bank renegotiates loans with customers who face financial difficulties to increase collection and reduce the risk of default. The terms of repayment of the loan are facilitated in cases where the borrower has made all reasonable efforts to pay under the original contractual terms, and an important risk of default or default has occurred and it is expected that the borrower will be able to fulfil the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The bank has a waiting policy that applies to corporate and individual lending.

When a financial asset is modified, the bank assesses whether this amendment leads to de-recognition. As per the Bank's policy, the modification leads to de-recognition when it causes a significant difference in the terms
- Qualitative factors, such as the non-existence of contractual cash flows after modification as SPPI, change in currency or change in the counterparty, or extent of change in interest rates, maturity, or covenants. If this does not clearly indicate a fundamental modification
- Conducting a quantitative evaluation to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows in accordance with the revised terms, and deduct both amounts based on the original effective interest

In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of de-recognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on de-recognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated as credit- impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in de-recognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.
- The remaining PD at the reporting date based on the revised terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in de-recognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to de-recognition, the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then, the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.
The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or

when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/ loss that had been recognized in OCI and accumulated in equity is recognized in the consolidated statement of income, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/ loss previously recognized in OCI is not subsequently reclassified to the consolidated statement of income.

(2-14) Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as the customer not participating in a payment plan with the Bank. The Bank classifies the funds or amounts due for write-off after exhausting all possible payment methods and taking the necessary approvals. However, if the financing or receivable is written off, the Bank continues the enforcement activity to try to recover the outstanding receivables, which are recognized in the consolidated statement of income upon recovery.

(2-15) Presentation of expected credit loss allowances in consolidated financial statements

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the consolidated statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- Loans commitments and financial guarantee contracts: as a provision.
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

(2-16) Loans and advances

The "loans and advances" included in the statement of financial position comprise the following:

- Loans and advances measured at amortized cost; initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method.
- Loans and advances, which are measured at FVTPL or designated as at FVTPL; are measured at fair value with changes recognized immediately in income.

(2-17) Financial liabilities and equity

Issued Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

(2-18) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. The equity instruments issued by the bank are recognized according to the returns received, after deduction of direct issuance costs.

A) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

B) Treasury Shares

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain/ loss is recognized in income on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

C) Composite instruments

The component parts of the composite instruments (such as convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the content of the contractual arrangements, definitions of financial liabilities and equity instruments.

The transfer option that will be settled by exchanging a fixed cash amount or other financial asset for a specified number of the company's equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing interest rate in the market for similar non-convertible instruments. In the case of non-embedded related derivatives, they are first separated and the remaining financial liabilities are recorded on an amortized cost basis using the effective interest method until they are extinguished upon conversion or on the instrument's maturity date.

(2-19) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through income statement or other financial liabilities.

A) Financial liabilities at fair value through income statement

Financial liabilities are classified at fair value through the statement of profits or losses when financial liabilities (1) are held for trading or (2) are classified at fair value through the statement of income. A financial liability is classified as held for trading if:
- It was primarily incurred for the purpose of repurchasing it in the short term; or
- At initial recognition, this is part of the portfolio of specific financial instruments that are managed by the bank and which have a modern pattern of profit taking in the short term; or
- It is a non-specific and effective derivative as a hedging instrument.

A financial liability other than a financial liability held for the purpose of trading or the possible consideration that a buyer may pay as part of a business combination at fair value is determined through the statement of income upon initial recognition if:

- This classification would substantially eliminate or reduce the inconsistency of the measurement or recognition that might otherwise arise; or
- The financial obligation was part of the group of financial assets, financial liabilities, or both, whose performance is managed and evaluated on a fair value basis, in accordance with the documented risk or investment management strategy of the bank, and information related to the formation of the group was provided internally on this basis; or
- If the financial obligation forms part of a contract that contains one or more derivatives, and IFRS 9 allows a fully hybrid contract (compound) to be determined at fair value through the statement of income.

Financial liabilities are stated at fair value through the statement of income at fair value, and any gains or losses arising from re-measurement are recognized in the statement of income to the extent that they are not part of a specific hedge relationship. The net profit / loss recognized in the statement of income includes any interest paid on financial liabilities and is included in the item "net income from other financial instruments at fair value through the statement of income.

However, in respect of non-derivative financial liabilities designated at fair value through the statement of income, the amount of the change in the fair value of the financial liabilities that resulted from changes in the credit risk of those liabilities is included in other comprehensive income, unless recognition of the effects of changes in credit risk arises Liabilities in other comprehensive income to create or increase accounting inconsistencies in the consolidated statement of income. The remaining amount of changes in the fair value of the liability is recognized in the consolidated statement of income, and changes in the fair value attributable to the credit risk of the financial liabilities recognized in other comprehensive income are subsequently reclassified as income. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

With regard to loan obligations issued and financial guarantee contracts classified at fair value through the statement of income, all gains and losses are included in the consolidated statement of income.

When determining whether recognition of changes in the credit risk of liabilities in other comprehensive income will create or increase the accounting mismatch in the consolidated statement of income, the bank assesses whether it expects to offset the effects of changes in the credit risk of the liabilities in the consolidated statement of income A change in the fair value of another financial instrument that was measured at fair value through the consolidated statement of income.

B) Other financial liabilities
Other financial liabilities, including deposits and loans, are initially measured at fair value, net of transaction costs. Other financial liabilities are then measured at amortized cost, using the effective interest method.

The effective interest method is a method for calculating the amortized cost of a financial liability and allocating interest expenses over the relevant period. An effective interest rate is the rate that exactly discounts estimated future cash payments during the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount at initial recognition to obtain details on the effective interest rate.
C) Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

When the bank exchanges one debt instrument with the current lender for another instrument on significantly different terms, this exchange is accounted for as amortization of the original financial liabilities and new financial liabilities are recognized. Likewise, the bank treats the material amendment to the terms of the existing obligation or part thereof as amortization of the original financial liability and recognition of the new obligation. The terms are assumed to differ materially if the reduced present value of the cash flows is under the new terms, including any fees paid, net of any fees received and discounted using the original effective rate of at least 10% from the reduced present value of the remaining cash flows of the original financial liabilities.

(2-20) Derivative financial instruments:

The bank enters into a variety of derivative financial instruments, some of which are held for trading while others are maintained to manage exposure to interest rate risk, credit risk, and foreign exchange rate risk. Financial derivatives include foreign currency forward contracts, interest rate swaps, interest rate swaps across currencies and credit default swaps.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value at the date of each statement of financial position. The resulting profits/ losses are recognized in the consolidated statement of income immediately unless the derivative is identified and are effective as a hedging instrument, in which case the timing of recognition in the consolidated statement of income depends on the nature of the hedge relationship. The Bank identifies certain derivatives as either fair value hedges for recognized assets and liabilities, or for the company's obligations (fair value hedges), potential forecasting hedges, foreign currency risk hedges for fixed obligations (cash flow hedges) or net investments in foreign operations (net investment hedges).

Derivatives with positive fair value are recognized as a financial asset, while derivatives with negative fair value are recognized as financial liabilities. Derivatives are presented as non-current assets or non-current liabilities if the residual maturity of the instrument is more than (12) months and is not expected to be realized or settled within (12) months. Other derivatives are presented as current assets or current liabilities.

(2-21) Embedded derivatives

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through the consolidated statement of income.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

(2-22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank's entity are initially measured at their fair value, and if they

are not determined at fair value through the consolidated statement of income that does not result from the transfer of a financial asset, they are subsequently measured:
- The amount of the loss allowance determined in accordance with IFRS (9).
- The amount initially recognized, less, where appropriate, the amount of accumulated income recognized in accordance with the Bank's revenue collection policies, whichever is greater.

Financial guarantee contracts that are not designated at fair value through the consolidated statement of income are presented as provisions in the consolidated statement of financial position and remeasurement is presented in other income.

The Bank did not specify any financial guarantee contracts at fair value through the consolidated statement of income.

(2-23) Commitments to provide a loan at an interest rate lower than the market price:

Commitments to provide a loan at an interest rate lower than the market price are measured initially at their fair value, and if they are not determined at fair value through the consolidated statement of income, they are subsequently measured:
- The amount of the loss allowance determined in accordance with IFRS (9).
- The amount initially recognized, less, where appropriate, the amount of accumulated income recognized in accordance with the Bank's revenue collection policies, whichever is greater.

Commitments to provide a loan at an interest rate lower than the market price, which are not designated at fair value through the consolidated statement of income are presented as provisions in the consolidated statement of financial position, and remeasurement is presented in other income.

The bank did not designate any commitments to provide a loan at an interest rate lower than the market price, which are designated at fair value through the consolidated statement of income.

(2-24) Derivative financial instruments

A) Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 Financial Instruments (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

B) Hedge accounting

The bank identifies certain derivatives as hedging instruments with respect to foreign currency and interest rate risks in fair value hedges, cash flow hedges or net investment hedges in foreign operations as appropriate. Hedges of foreign exchange risk on bank liabilities are also accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting to interest rate risk portfolio hedges. In addition, the bank does not use the exemption to continue using the hedge accounting rules using International Accounting Standard No. (39), meaning that the bank applies the hedge accounting rules of IFRS 9.
At the inception of the hedge relationship, the bank documents the relationship between the hedging instrument

and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. Furthermore, at hedge inception and on an ongoing basis, the bank documents whether the hedging instrument is effective in offsetting the changes in the fair value or cash flows of the hedged item that can be attributed to the hedged risk, and at which all hedging relationships meet the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument; and
- The impact of credit risk does not dominate the changes in value resulting from this economic relationship; and
- The hedging ratio for the hedging relationship is the same resulting from the quantity of the hedged item for which the bank is actually hedging and the amount of the hedging instrument that the bank actually uses to hedge that quantity of the hedged item.

The bank re-balances the hedge relationship in order to comply with the requirements of the hedge ratio as necessary. In such cases, the stopover may be applied to only part of the hedging relationship. For example, the hedge ratio may be adjusted in such a way that a portion of the hedging item is no longer part of the hedge relationship, and hence hedge accounting is discontinued only for the size of the hedging item that is no longer part of the hedging relationship.

If the hedging relationship ceases to meet the hedge effectiveness requirements for the hedge ratio but the risk management objective for that hedge relationship remains the same, then the Group adjusts the hedge ratio for the hedge relationship (such as rebalancing the hedge again) so that the criteria for the hedge are regrouped.

In some hedge relationships, the bank only determines the true value of the options. In this case, the change in the fair value of the time value component of the option contract in other comprehensive income, over the hedging period, is deferred to the extent that it relates to the hedged item and is reclassified from equity to the income statement when the hedged item does not lead to the recognition of the non-financial items. . The Bank’s risk management policy does not include hedging of items that lead to recognition of non-financial items, because the bank’s risk relates to financial substances only.

The hedged items determined by the bank are period-related hedging items, which means that the original time value of the option relating to the hedged item of equity is amortized to the income statement on a rational basis (for example, according to the straight-line method) over the life of the hedge.

In some hedging relationships, the bank excludes from the determination of the forward component of a forward contract or a currency difference of the currency hedging instrument. In this case, the same treatment applies as for the time value of the options. The treatment of the forward component of the forward contract and the component on a currency basis is optional, and the option is applied on a hedged basis separately, unlike the treatment of the time value of the options that are considered mandatory. With regard to hedging relationships and forward derivatives or foreign currencies such as interest rate swaps across currencies, when the forward component or the difference on a currency basis is excluded from the rating, the bank generally recognizes the excluded component in other comprehensive income.

Detail the fair values of the derivative instruments used for hedging purposes and the movements in equity hedge reserve.

C) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the consolidated statement of income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the consolidated statement of income.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to the consolidated statement of income from that date.

When the hedge gain / loss is recognized in the income statement, it is recognized in the same line as the hedged item.

The bank discontinues hedge accounting only when the hedging relationship (or part thereof) ceases to fulfill the qualifying criteria (after rebalancing, if any). This includes cases where the hedging instrument has expired, sold, terminated, or exercised, and the disposal is accounted for for future effect. Also, the fair value adjustment to the carrying value of hedged items for which the effective interest rate method is used (i.e. debt instruments measured at amortized cost or at FVOCI) arising from the cessation of the hedged risk in the statement of income does not exceed Hedge accounting.

D) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income, and is included in the other income line item.

Amounts previously recognized in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of income in the periods when the hedged item affects the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognized in the consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

The bank discontinues hedge accounting only when the hedging relationship (or part thereof) ceases to fulfill the qualifying criteria (if any, and after rebalancing if any). This includes situations where the hedging instrument expires or is sold, terminated, or exercised, or when the occurrence of a specific hedging transaction is not considered highly probable and the discontinuation is accounted for with future effect. Any gain / loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the eventual expected transaction is recorded in profit or loss. When the occurrence of a forecast transaction becomes unexpected, the cumulative gain / loss is reclassified in shareholders' equity and recognized directly in the income statement.

E) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the consolidated statement of comprehensive income and accumulated under the heading of cumulative translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the cumulative translation reserve are reclassified to the consolidated statement of income on the disposal of the foreign operation.

(2-25) Offsetting of financial assets and liabilities

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

(2-26) Accounts managed for the interest of clients

Accounts managed by the bank on behalf of clients are not considered assets of the bank. The fees and commissions for managing these accounts are shown in the statement of income. A provision is made against the decrease in the value of the portfolios managed for the benefit of clients from their capital.

(2-27) Fair value measurement

The fair value is defined as the price that will be received to sell any of the assets or pay for transferring any of the liabilities in an orderly transaction between market participants on the date of measurement, regardless of whether the price can be achieved directly or whether it is estimated thanks to another valuation method. When estimating the fair value of any of the assets or liabilities, the bank takes into consideration when determining the price of any of the assets or liabilities whether market participants should take those factors into consideration at the measurement date. Fair value is determined for measurement and / or disclosure purposes in these financial statements according to those principles, except for those related to measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in International Accounting Standard No. (36).

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in income on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.
The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.
Fair value levels are as follows:

- Level 1: Quoted 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.

(2-28) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(2-29) Employees' benefits

Employees' short term benefits

Employee's short term benefits are recognized as expenses when providing related services. The commitment relating to the amount expected to be paid is recognized when the Bank has a current legal or constructive obligation to pay for the previous services provided by the employee and the obligation can be estimated reliably.

Employees' other long-term benefits

The Bank's net liabilities in relation to employees' benefits are the amount of future benefits that employees have received for their services in the current and previous periods. Those benefits are deducted to determine their present value. The remeasurement is recognized in the consolidated statement of income in the period in which it arises.

(2-30) Income Tax

Tax expense comprises current tax and deferred taxes.
Current tax is based on taxable profits, which may differ from accounting profits disclosed in the consolidated statement of income. Accounting profits may include non-taxable profits or tax-deductible expenses which may be exempted in the current or subsequent financial years.

Taxes are calculated based on tax rates confirmed under the laws, regulations and instructions of the Hashemite Kingdom of Jordan and the countries which subsidiaries are operating in.

The deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities – in the consolidated financial statements and the value of the tax basis profit. Deferred taxes are measured by adhering to the consolidated financial position statement and calculated based on tax rates that are expected to apply in the period when assets are realized or liabilities are settled.

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

(2-31) Assets seized in settlement of debts

In certain cases, the Bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. These assets are recorded in “Other assets”. It is the Bank’s policy to dispose of such repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

As of the beginning of the year 2015, a progressive provision was calculated for the expropriated real estate in exchange for debts that have passed over a period of more than 4 years, according to the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and No. 10/1/2510 dated February 14, 2017. Note That the Central Bank of Jordan issued Circular No. 13967/1/10 on October 25, 2019, in which it approved the extension of Circular No. 10/1/16607 on December 17, 2017, in which it confirmed the postponement of the calculation of the provision until the end of the year 2020. This is in accordance with the bank’s circular Central No. 10/1/16239 on November 21, 2020, the deduction of the required allocations in exchange for the expropriated real estate will be completed at (5%) of the total book values of those real estate (regardless of the period of violation), with effect from the year 2021, so that the required percentage is reached (50%) of those properties are by the end of 2029.

(2-32) Financial assets pledged as collateral

The financial assets pledged by the Bank are for the purpose of providing collateral for the counterparty to the extent that counterparty is permitted (to sell and /or re-pledge the assets). The method of valuation is related to the financial policies for its original classification.

(2-33) Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank’s financial consolidated statements due to the Bank’s continuing exposure to the risks and rewards of these assets using the same accounting policies (where the buyer has the right to use these assets (sell or re-lien) they are reclassified as liened financial assets).

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank’s consolidated financial statements as assets since the Bank is not able to control these assets. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between purchase and resale price is recognized in the consolidated statement of income over the agreement term using the effective interest method.

(2-34) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
Lands are not depreciated.
Depreciation is recognized so as to write-off the cost of assets, using the straight-line method, over the

estimated useful lives of the respective assets, as follows:

	%
Buildings	2
Equipment and furniture	2.5-15
Vehicles	15
Computers	25
Other	10

When the recoverable amount of any property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment value is recorded in the income statement.

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

Property and equipment are excluded upon disposal or when there are no future benefits expected from their use or disposal.

(2-35) Intangible assets

A) Goodwill

Goodwill is recorded at cost which represents the increase in the acquisition or purchase cost of an investment over the fair value of the company's net assets at the acquisition date. Goodwill resulting from investing in subsidiaries is recorded in a separate item as intangible assets. Goodwill resulting from investing in associates appears as part of the investment account in the associate and the cost of goodwill is subsequently reduced by any impairment in the investment value.

Goodwill is allocated to cash-generating unit(s) for the purpose of impairment testing.

Goodwill impairment is tested at the reporting date. Goodwill is written down if there is an indication that it is impaired and if the estimated recoverable amount of cash-generating unit (s) to which the goodwill belongs is lower than the carrying amount of the cash-generating unit (s). Impairment is recognized in the consolidated statement of income.

B) Other intangible assets

Intangible assets that are acquired through the merger are stated at fair value at the date of acquisition. The intangible assets that are obtained by a method other than the merger are stated at cost.

Intangible assets are classified on the basis of their estimated lifetime for a definite or indefinite period. Intangible assets that have a definite lifetime are amortized during this lifetime and are recognized in the consolidated statement of income. For intangible assets that have a indefinite lifetime, their impairment is reviewed at the date of the consolidated financial statements and any impairment is recognized in the consolidated statement of income.
Intangible assets resulting from the Bank's business are not capitalized and are recognized in the consolidated

statement of income in the same period.

Any indications for the impairment of intangible assets are reviewed at the date of the financial statements. The estimate of the useful lives of those assets is reviewed and any adjustments are made for subsequent periods.

Below is the accounting policy for each item of intangible assets at the bank:
- Trademarks: Amortized using the straight line method with a fixed ratio of 25%
- Computer software and systems: Amortized using the straight line method with a fixed ratio of 25%

(2-36) Impairment of non-financial assets

The carrying value of the Group's non-financial assets is reviewed at the end of each fiscal year except for the deferred tax assets, to determine whether there is an indication of impairment. In the event of an indication of impairment, the amount recoverable from these assets will be estimated.

If the carrying amount of the assets exceeds the recoverable amount from those assets, the impairment loss is recorded in those assets.

The recoverable amount is the higher of an asset's fair value -less costs to sale - and the value in use.

All impairment losses are taken to the consolidated statement of income and other comprehensive income.

The impairment loss for goodwill is not reversed. For other assets, the impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that was determined after the depreciation or amortization has taken place if the impairment loss is not recognized.

(2-37) Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each company in the Group are expressed in the functional currency of the Bank, and the presentation currency of the consolidated financial statements.

The separate financial statements of the Bank's subsidiaries are prepared, and the separate financial statements of each of the Group's companies are presented in the main functional economic currency in which they operate. Transactions are recorded in currencies other than the Bank's functional currency, according to the exchange rates prevailing on the dates of those transactions. On the date of the statement of financial position, the financial assets and liabilities are translated into foreign currencies at the exchange rates prevailing on that date. Non-monetary items carried at fair value and denominated in foreign currencies are also translated at the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not reclassified.

Exchange differences are recognized in the consolidated statement of income in the period in which they arise, except for:
- Foreign currency exchange differences on transactions made in order to hedge foreign currency risk.
- Foreign currency exchange differences on monetary items required to/ from a foreign operation that are not planned or unlikely to be settled in the near future (and therefore these differences are part of the net investment in the foreign operation), which is recognized initially in the calculation of other consolidated comprehensive income, and are reclassified from equity to the consolidated statement of income upon sale or partial disposal of net investment

For the purpose of the presentation of the consolidated financial statements, assets and liabilities of foreign operations of the Bank are transferred according to the exchange rates prevailing at the date of the statement of financial position. Revenue is also transferred according to the average exchange rates for the period, unless exchange rates change significantly during that period, in which case exchange rates are used on the date of transactions. Emerging differences, if any, are recognized in the consolidated statement of comprehensive income and grouped into a separate component of equity.

When excluding foreign operations (i.e. eliminating the Bank's entire share in foreign operations, or that resulting from the loss of control of a subsidiary within foreign operations or partial disposal of its share in a joint arrangement or an associate of a foreign nature in which the held share becomes a financial asset), all foreign currency exchange differences accumulated in the separate item that represent the equity of that operation attributable to the owners of the bank, are reclassified to the consolidated statement of income.

In addition, with regard to partial disposal of a subsidiary that includes foreign operations and does not result in the Bank losing control of the subsidiary, its share of the accumulated exchange differences is reversed to net comprehensive income at a rate that is excluded and is not recognized in the consolidated statement of income. As for all other partial liquidations (such as partial liquidation of associates or joint ventures that do not result in the Bank losing significant influence or joint control), the share of accumulated exchange differences is reclassified to the consolidated statement of income.

(2–38) Leases

The Bank has implemented IFRS (16) "Leases" that have replaced existing guidance on leases as of 1 January 2019, including IAS (17) "Leases" and IFRIC (4) "Determining whether an arrangement contains a lease", SIC (15) "Operating lease -incentives" and SIC (27) retrospectively from 1 January 2018"Evaluating the substance of transactions involving the legal form of a lease".

The bank determines whether the contract is a lease or includes lease clauses. The contract is considered a lease contract or includes a lease if it includes the transfer of control over a specified asset for a specified period in exchange for compensation as defined in the leasing contract in the standard.

The Bank as a lessee

On the date of signing the contract, or on the date of the revaluation of the contract that contains the lease elements, the Bank distributes the entire contract value to the contract components in a proportional manner consistent with the value. It is to be noted that the Bank has decided for leases that include land and building to treat the components of the contract as one item.

The bank recognizes the right to use the obligations of the lease at the beginning of the lease. The right to use is measured at the initial recognition of the cost, which includes the initial value of the rental contract obligation adjusted for the lease payments that took place at the beginning or before the contract, until any initial direct costs are realized or any costs less the impact of any rental incentives received.

The right to use the asset is subsequently depreciated using the straight-line method from the date of the beginning of the contract, considering the lower of useful life of either the lease term or the remaining life of the rental asset. The useful life of the leased asset is estimated on the basis of estimating the useful life of the property and equipment. The value of the right to use the asset is periodically reduced to reflect the lower value (if any) and is modified to reflect the effect of the amendments on the item of obligations related to lease contracts.
The obligations associated with the lease are measured at the initial recognition of the present value of the

unpaid lease payments at the date of the lease, deducted using the interest rate presented in the lease, and if it is not possible to determine, the borrowing rate used by the bank is used. Usually the borrowing rate used by the bank is what ends up being used.

The bank determines the borrowing rate by analyzing its loans from various external sources and making some adjustments to reflect the lease terms and the type of leased assets.

The lease payments taken into account for the purposes of calculating the obligations related to the lease include the following:

- Fixed payments, including substantial fixed payments,
- Variable payments that depend on an index or ratio and that are measured upon initial recognition taking into account this indicator or the ratio at the date of the lease,
- The amounts expected to be paid under the residual value guarantee clause; and
- Purchase option price when the bank is confident that it will implement the purchase option disclosure, lease payments when an optional renewal clause exists and the bank has the intention to renew the lease contract, and fines related to early termination of the contract unless the bank is confident that it will not perform early termination.

Obligations related to lease contracts are measured based on amortized cost, using the effective interest rate. The liabilities are re-measured when there is a change in the future rental payments as a result of the change in a specific index or ratio, and when there is a change in the management's estimates regarding the payable amount under the item of the residual value guarantee, or when the bank's plan in relation to exercising the option to buy, renew or terminate the contract changes.

When the obligations related to lease contracts are measured this way, adjustments are recorded in the right to use the asset or in the statement of income in the case where the carrying amount of the right to use the asset has been fully amortized.

The bank offers the right to use the assets under property and equipment, and the liabilities related to lease contracts are displayed among other liabilities (borrowed funds) in the consolidated statement of financial position.

Short-term leases and leases for low-value assets:
The Bank chose not to recognize the right of use assets and lease obligations for short-term leases for items with a 12-month lease term or less and the low-value leases. The Bank recognizes the lease payments associated with these contracts as operating expenses on a straight-line basis over the lease term.

The Bank as a lessor
When the bank is lessor, at the start of the lease, it determines whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank performs a comprehensive evaluation to demonstrate whether the lease largely transfers all risks and benefits associated with ownership of this asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Bank takes into account certain indicators such as whether the lease is the greater part of the economic life of the asset.

The Bank applies the requirements of de-recognition and impairment in IFRS 9 for net investment in the lease. The Bank performs a periodic review of the expected non-guaranteed residual value that was used to calculate the total investment amount in the lease.

(2-39) Cash and Cash equivalents

Cash and cash equivalents comprise of cash on hand and cash balances at banks and financial institutions that mature within three months, less banks and financial institutions' deposits that mature within three months from acquisition date and restricted balances.

(2-40) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

(3) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to IFRS 3 - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- Amendments to IAS 1 and IAS 8 - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

- Amendments to Conceptual framework – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
  - Increasing the prominence of stewardship in the objective of financial reporting
  - Reinstating prudence as a component of neutrality
  - Defining a reporting entity, which may be a legal entity, or a portion of an entity
  - Revising the definitions of an asset and a liability
  - Removing the probability threshold for recognition and adding guidance on derecognition
  - Adding guidance on different measurement basis, and
  - Stating that income is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

(b) New and revised IFRS issued but not yet effective and not early adopted

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New standards, amendments and interpretations
Effective for annual periods beginning on or after 1 January 2023

- IFRS 17, 'Insurance contracts' - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Effective for annual periods beginning on or after 1 January 2022
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2020 that would be expected to have a material impact on the financial statements of the Group.

(4) Critical accounting judgements and estimates

In the application of the Group's accounting policies, which are described in Note 3 management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions, or exercised judgements are as follows:

Impairment in seized assets
Impairment of seized assets is calculated based on recent real estate valuations and approved by accredited valuers for the purpose of calculating the impairment of assets seized. The Impairment is reviewed periodically.
Tangible and Intangible assets useful lives

Useful life for property and equipment is reviewed each year. If expected useful life is different from the previous one, the difference is adjusted prospectively as a change in accounting estimate.

Income Tax

The group is subject to income tax and therefore this requires judgment in determining the income tax provision. The Group recognizes income tax liabilities based on its expectations of whether the tax audit will result in any additional tax. If the final tax estimate is different from what was recorded, then the differences will affect the current income tax in the period in which these differences are found.

Legal provision

Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.

Provision for end of service indemnity

The end of service indemnity provision which represents the bank's obligations towards employees is calculated and created according to the bank's internal regulations.

Assets and liabilities that are stated at cost

Management reviews, on a regular basis, the assets and liabilities that are stated at cost to estimate impairments, if any. Impairment losses are recognized in the consolidated statement of income for the year.

Provision for expected credit loss

The Bank's management is required to use significant judgments and estimates to estimate future cash flows amounts and timings, and estimate the risks of a significant increase in credit risk for financial assets after initial recognition and future measurement information for expected credit losses. The most significant policies and estimates used by the Bank's management are detailed in Note (47).

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence, including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information. Estimates used by the Bank's management, which are related to the significant change in credit risk that lead to a change in classification within the three stages (1, 2, and 3) are detailed in Note (47).

Establishing groups of assets with similar credit risk characteristics

When the expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics (such as the type of instrument, the degree of credit risk, the type of collateral, the initial recognition date, the remaining period of maturity date, the industry, the borrower's geographic location, etc.). The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL, as outlined in Note (47). Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

a) Classification and measurement of financial assets and liabilities

- The Bank classifies financial instruments or components of financial assets upon initial recognition, either as a financial asset, financial liability, or an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument. Reclassification of a financial instrument in the consolidated financial statements is subject to its substance rather than its legal form.
- The Bank determines the classification upon initial recognition as well as a reassessment of that determination, if possible and appropriate, at the date of each consolidated statement of financial position.
- When measuring financial assets and liabilities, some of the Bank's assets and liabilities are remeasured at fair value for the purposes of preparing financial reports. When estimating the fair value of any of the assets or liabilities, the Bank uses the observable available market data. In the absence of Level 1 inputs, the Bank performs the assessments using professionally qualified independent evaluators. The Bank works in close cooperation with qualified external evaluators to develop appropriate valuation techniques and data on the fair value estimation model.

b) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

c) Derivative Financial Instruments

- The fair value of derivatives measured at fair value is generally obtained by referring to the listed market prices, discounted cash flow models and recognized pricing models, if appropriate. In the absence of market price, fair value is determined using valuation techniques that reflect observable market data. These techniques include comparing similar instruments when there are observable market prices, discounted cash flow analysis, pricing option models and other valuation techniques commonly used by market participants. The main factors that management considers when applying the model are:

- The expected timing and probability of future cash flows of the instrument, as these cash flows are generally subject to the terms of the instrument, although management judgment may be required in cases where the ability of the counterparty to pay the instrument according to the contractual terms is in doubt; and
- An appropriate discount percentage for the instrument. The management determines this percentage based on its assessment of the margin of the ratio for the instrument, which is higher than the risk-free ratio. When evaluating the instrument with reference to comparative tools, management considers the entitlement, structure and degree of classification of the instrument based on the system with which the existing position is compared. When evaluating tools based on the model using the fair value of the main components, management also considers the need to make adjustments to calculate a number of factors such as bid differences, credit status, portfolio services costs and uncertainty about the model.

Lease extension and termination options

- Extension and termination options are included in a number of leases. These conditions are used to increase operational flexibility in terms of contract management. Most of the extension and termination options held are renewable by both the Bank and the lessor.

Determination of lease term

- In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The extension options (or periods after the termination options) are included only in the term of the lease if the lease is reasonably certain to be extended (or not terminated). The evaluation is reviewed in the event of a significant event or significant change in the circumstances that affect this evaluation and that are under the control of the lessee.

Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the of the Bank's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Establishing the number and relative weightings of forward-looking scenarios for each type of types product/ Market and determining the forward looking information relevant to each scenario:

When measuring ECL, the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

– Probability of default (PD)

PD is a key entry point in the measurement of expected credit loss. PD is an estimate of the probability of default, over a certain period of time, which includes the computation of historical data, assumptions and projections related to future conditions.

– Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

– Measurement and assessment procedures of fair value

When estimating the fair value of assets or liabilities, the Bank uses the observable available market data. In the absence of Level 1 inputs, the Bank performs the assessments using appropriate valuation models to determine the fair value of financial instruments.

– Discounting lease payments

Lease payments are discounted using the bank's additional borrowing rate ("IBR"). Management applied provisions and estimates to determine the additional borrowing rate at the start of the lease.

(5) Cash and Balances with Central Banks

	2020	2019
	JD	JD
Cash on hand	67,920,621	48,337,681
Balances at Central Banks:		
Current and demand deposits	37,245,515	60,620,435
Time and notice deposit	87,000,000	-
Statutory cash reserve	103,687,381	96,228,339
Total	**295,853,517**	**205,186,455**

- The monetary reserve at the Central Bank of Jordan amounted to JD 72,494,663 as at 31 December 2020 compared to JD 78,175,734 as at 31 December 2019.

- There are no due balances during the period exceeding three months as at 31 December 2020 and 31 December 2019.

- The value of reserves with restricted withdrawals at the Central Bank of Iraq amounted to JD 31,192,718 as at 31 December 2020 compared to the amount of JD 18,052,605 as at 31 December 2019, and was excluded from cash and cash equivalents for the purpose of the consolidated cash flow statement.

- National Bank of Iraq balances at the Central Bank of Iraq's Irbil branches has no balances as at 31 December 2020 knowing that Al-Sulaymaniyah balances were transferred to Irbil, against JD 10,707,611 as at 31 December 2019 which is excluded from cash and cash equivalents for interim consolidated cash flow statement purposes.

- There were no expected credit losses at cash and balances at Central Banks as of 31 December 2020 and 31 December 2019, as per the Central Bank's request reflecting IFRS 9.

Distribution of cash balances with Central banks by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	218,585,459	-	-	218,585,459
Acceptable risk / performing	77,268,058	-	-	77,268,058
Total	**295,853,517**	**-**	**-**	**295,853,517**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	134,112,399	-	-	134,112,399
Acceptable risk / performing	71,074,056	-	-	71,074,056
Total	**205,186,455**	**-**	**-**	**205,186,455**

Movements of balances with central banks:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	205,186,455	-	-	205,186,455
Add: new balances during the year	155,180,413	-	-	155,180,413
Settled balances	(50,759,947)	-	-	(50,759,947)
Adjustments due to change in exchange rates	(13,753,404)	-	-	(13,753,404)
Gross balance	**295,853,517**	**-**	**-**	**295,853,517**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	238,254,551	-	-	238,254,551
Add: new balances during the year	31,325,552	-	-	31,325,552
Settled balances	(64,393,648)	-	-	(64,393,648)
Gross balance	**205,186,455**	**-**	**-**	**205,186,455**

Movements of provision for expected credit losses

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	-	-	-	-
Add: new balances during the year	-	-	-	-
Settled balances	-	-	-	-
Net balance	**-**	**-**	**-**	**-**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	475,893	-	-	475,893
Add: new balances during the year	-	-	-	-
Settled balances	(475,893)	-	-	(475,893)
Net balance	**-**	**-**	**-**	**-**

(6) Balances at banks and financial institutions

	Local banks and financial institutions		Foreign Banks and Financial Institutions		Total	
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Current and demand deposits	19,767,098	4,021,484	79,222,153	94,246,851	98,989,251	98,268,335
Deposits maturing within or less than 3 months	38,689,420	-	4,927,550	-	43,616,970	-
Less: Expected credit loss	-	-	(68,956)	-	(68,956)	-
	58,456,518	**4,021,484**	**84,080,747**	**94,246,851**	**142,537,265**	**98,268,335**

- Non-interest bearing balances at banks and financial institutions amounted to JD 98,989,251 as at 31 December 2020 against JD 96,221,959 as at 31 December 2019.
- Restricted balances amounted to JD 1,179,012 as at 31 December 2020 against JD 1,172,215 as at 31 December 2019. Which will be exluded from the cash and cash equivelent on the consolidated cash flow statement.

Distribution of balances at banks and financial institutions by categories of the Bank's internal credit rating:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	70,607,588	-	-	70,607,588
Acceptable risk / performing	71,908,736	20,806	69,091	71,998,633
Total	**142,516,324**	**20,806**	**69,091**	**142,606,221**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	74,339,035	-	-	74,339,035
Acceptable risk / performing	23,747,668	181,632	-	23,929,300
Total	**98,086,703**	**181,632**	**-**	**98,268,335**

Movements of balances with banks and financial institutions

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	98,086,703	181,632	-	98,268,335
Add: new balances during the year	82,437,259	-	-	82,437,259
Settled balances	(33,397,384)	(160,826)	-	(33,558,210)
Written off balances	(56,458)	-	56,458	-
Adjustments due to change in exchange rates	(4,553,796)	-	12,633	(4,541,163)
Net balance	**142,516,324**	**20,806**	**69,091**	**142,606,221**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	81,637,900	9,089	-	81,646,989
Add: new balances during the year	39,369,396	3,004	-	39,372,400
Settled balances	(22,751,054)	-	-	(22,751,054)
Transfer to second stage during the year	(169,539)	169,539	-	-
Net balance	**98,086,703**	**181,632**	**-**	**98,268,335**

Movements of provision for expected credit losses during the period

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	-	-	-	-
Add: new balances during the year	-	-	67,702	67,702
Settled balances	-	-	-	-
Adjustments due to change in exchange rates	-	-	1,254	1,254
Net balance	**-**	**-**	**68,956**	**68,956**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	-	-	-	-
Add: new balances during the year	-	-	-	-
Settled balances	-	-	-	-
Net balance	**-**	**-**	**-**	**-**

(7) Deposits with banks and financial institutions

	Banks and other financial institutions		Total	
	2020	2019	2020	2019
	JD	JD	JD	JD
Deposits maturing within 6 months		404,130	-	404,130
Less: Expected credit loss		(255)	-	(255)
Total	**-**	**403,875**	**-**	**403,875**

The distribution of total deposits with banks and financial institutions according to the bank's internal rating categories is as follows:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low Risk / Performing	-	-	-	-
Acceptable Risk / Performing	-	-	-	-
Net balance	**-**	**-**	**-**	**-**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Low Risk / Performing	404,130	-	-	404,130
Acceptable Risk / Performing	-	-	-	-
Net balance	**404,130**	**-**	**-**	**404,130**

Disclosures of the movement on total deposits with banks and financial institutions:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance at 1 January 2020	404,130	-	-	404,130
Add: new balances during the year	-	-	-	-
Settled balances	(404,130)	-	-	(404,130)
Net balance	**-**	**-**	**-**	**-**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance at 1 January 2019	-	-	-	-
Add: new balances during the year	404,130	-	-	404,130
Settled balances	-	-	-	-
Net balance	**404,130**	**-**	**-**	**404,130**

Movements of provision for expected credit losses:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance at 1 January 2020	255	-	-	255
Add: loss on new deposits during the year	-	-	-	-
Recovered from loss	(255)	-	-	(255)
Net balance	**-**	**-**	**-**	**-**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance at 1 January 2019	-	-	-	-
Add: loss on new deposits during the year	255	-	-	255
Recovered from loss	-	-	-	-
Net balance	**255**	**-**	**-**	**255**

(8) Financial Assets at Fair Value through statement of income

	2020	2019
	JD	JD
Companies’ share	-	3,041,947
Investment funds	-	12,865
Total	-	3,054,812

(9) Financial Assets at Fair Value through Other Comprehensive Income

The details of this disclosure as as follows:

Publicly listed assets	2020	2019
	JD	JD
Treasury bonds	24,709,428	3,624,408
Bonds, Corporate debt securities	6,753,528	6,465,476
Other government bonds	33,735,685	20,910,064
Quoted shares	7,658,901	4,812,579
Total	**72,857,542**	**35,812,527**
Unlisted assets	**2020**	**2019**
	JD	**JD**
Treasury bonds	4,123,384	3,849,351
Governmental debt securities and its guarantee's	-	7,238,000
Bonds, Corporate debt securities	-	3,000,000
Unquoted shares	12,621,139	11,678,576
Total	**16,744,523**	**25,765,927**
Less: Expected credit loss	(24,931)	(27,634)
Total Financial Assets at Fair Value through Other Comprehensive Income	**89,577,134**	**61,550,820**
Analysis of bonds and bills:		
Fixed Rate	69,297,094	45,059,665
Total	**69,297,094**	**45,059,665**

- The cash dividends have amounted to JD 233,577 and reflect the shares that the bank owns in other companies during the year ended 31 December 2020 against JD 230,086 during the year ended 31 December 2019.

- Realized gains resulted from sales of financial assets at fair value through other comprehensive Income / debt amounted to JD 1,070,702 during the year ended December 2020 against realized losses worth JD 608,362 during the year ended 31 December 2019, and that has been transferred to the retained earnings through the income statement.

- Realized losses resulted from sales of financial assets at fair value through other comprehensive Income / equity amounted to JD 279,515 during the year ended December 2020 against realized losses worth JD 403,350 during the year ended 31 December 2019, and that has been transferred to the retained earnings through the consolidated equity statement.

- Expected credit losses on bonds and treasury bills guaranteed by the Jordanian government are not calculated as per the requirement of the Central Bank of Jordan in accordance with IFRS 9.

Financial Assets at Fair Value through other comprehensive income

Distribution of gross financial Assets at Fair Value through Other Comprehensive Income - debt instrument by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	28,832,812	-	-	28,832,812
Acceptable risk / performing	40,489,213	-	-	40,489,213
Total	**69,322,025**	**-**	**-**	**69,322,025**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Low risk / performing	14,711,759	-	-	14,711,759
Acceptable risk / performing	30,375,540	-	-	30,375,540
Total	**45,087,299**	**-**	**-**	**45,087,299**

Movements of gross financial assets at fair value through other comprehensive income:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance at 1 January 2020	45,087,299	-	-	45,087,299
Add: new balances during the year	38,045,962	-	-	38,045,962
Settled balances	(3,186,674)	-	-	(3,186,674)
Changes due to Adjustments	(7,268,800)	-	-	(7,268,800)
Adjustments due to change in exchange rates	(3,355,762)	-	-	(3,355,762)
Net balance	**69,322,025**	**-**	**-**	**69,322,025**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance at 1 January 2019	37,823,153	-	-	37,823,153
Add: new balances during the year	31,807,215	-	-	31,807,215
Settled balances	(24,543,069)	-	-	(24,543,069)
Net balance	**45,087,299**	**-**	**-**	**45,087,299**

Movements of provision on financial assets at fair value through other comprehensive income:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance at 1 January 2020	27,634	-	-	27,634
Add: new balances during the year	6,581	-	-	6,581
Settled balances	(9,284)	-	-	(9,284)
Net balance	**24,931**	**-**	**-**	**24,931**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance at 1 January 2019	30,028	-	-	30,028
Add: new balances during the year	18,765	-	-	18,765
Settled balances	(21,159)	-	-	(21,159)
Net balance	**27,634**	**-**	**-**	**27,634**

(10) Loans valued at fair value through the income statement

	2020	2019
	JD	JD
Loans	112,529,504	108,831,500
Total	**112,529,504**	**108,831,500**

The group has granted a loan of USD 150,000,000 (JD 106,350,000) with a fixed interest rate of 5.7% on a five-year repayment period and a one-year grace period. The group has decided to hedge the risk of changes in interest rates in the market by entering into forward interest contracts with a correspondent bank on similar contractual terms. The bank has classified the loan at fair value through the income statement, in line with the classification and measurement of the corresponding hedging instrument, which resulted in JD 2,481,500 profit on the income statement.

The group has re-evaluated the value of these loans as at 31 December 2020, using the effective interest rate method used for similar loans and resulted in a profit of 3,698,004 JDs.

(11) Direct Credit Facilities – Amortized cost

	2020	2019
	JD	JD
Retail customers		
Overdrafts	16,277,618	9,662,239
Loans and bills *	167,684,666	102,485,991
Credit cards	7,765,329	7,956,173
Real estate Mortgages	**164,756,741**	**155,689,558**
Corporate Lending		
Overdrafts	107,337,408	65,832,353
Loans and bills *	681,153,026	440,381,532
Small and medium enterprises "SMEs" facilities		
Overdrafts	15,829,866	39,029,446
Loans and bills *	172,538,499	176,577,669
Government and public sector lending	**60,023,731**	**49,198,622**
Total	**1,393,366,884**	**1,046,813,583**
Less: Suspended interest	23,437,800	17,935,469
Less: provisions to impairment in direct credit facilities and ECL	66,970,133	45,854,073
Net direct credit facilities	**1,302,958,951**	**983,024,041**

* Net of interest and commissions received in advance amounted to JD 2,069,155 as at 31 December 2020 against JD 1,747,998 as at 31 December 2019.

- Non-performing credit facilities amounted to JD 91,985,773 as at 31 December 2020 against JD 91,662,806 as at 31 December 2019 which represents 6.60 % of total direct credit facilities as at 31 December 2020 against 8.76 % as at 31 December 2019.
- Non-performing credit facilities, net of suspended interest, amounted to JD 69,187,921 as at 31 December 2020 against JD 74,566,540 as at December 2019 which represents 5.05 % as at 31 December 2020 against 7.25 % as at December 2019 of total direct credit facilities after excluding the suspended interest.
- There were no credit facilities granted to and guaranteed by the government as at 31 December 2020 against JD 11,426,000 as at 31 December 2019 which represents 1.09 % of total direct credit facilities.
- There were no provisions calculated on the expected losses from credit facilities granted to the Jordanian government or guaranteed by the Jordanian Government in accordance to IFRS 9.

Direct credit facilities at amortized cost – Corporate

Distribution of direct credit facilities for Corporate companies by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	137,164,306	5,769,775	-	142,934,081
Acceptable risk / performing	509,199,319	81,833,580	6,436,174	597,469,073
Non- Performing				
Substandard	-	-	154,846	154,846
Doubtful	-	-	5,076,814	5,076,814
Loss	-	-	42,855,620	42,855,620
Total	**646,363,625**	**87,603,355**	**54,523,454**	**788,490,434**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	89,902,413	740,185	-	90,642,598
Acceptable risk / performing	348,294,599	69,728,083	10,778,216	428,800,898
Non- Performing				
Substandard	-	-	23,531,107	23,531,107
Doubtful	-	-	61,058	61,058
Loss	-	-	33,032,910	33,032,910
Total	**438,197,012**	**70,468,268**	**67,403,291**	**576,068,571**

Direct credit facilities at amortized cost - Corporate

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	438,197,012	70,468,268	67,403,291	576,068,571
Add: new balances during the year / Additions	217,779,104	24,893,077	5,601,942	248,274,123
Settled balances	(69,718,343)	(19,212,826)	(11,082,823)	(100,013,992)
Transfer to the first stage during the year	3,794,490	(258,023)	(3,536,467)	-
Transfer to second stage during the year	(8,761,279)	9,710,649	(949,370)	-
Transferred to the third stage during the year	(189,708)	(5,000)	194,708	-
Changes due to Adjustments *	70,283,046	4,777,784	-	75,060,830
Written off balances	-	-	(1,498,090)	(1,498,090)
Adjustments due to change in exchange rates	(5,020,697)	(2,770,574)	(1,609,737)	(9,401,008)
Net balance	**646,363,625**	**87,603,355**	**54,523,454**	**788,490,434**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	JD	JD	JD
Balance as at 1 January 2019	338,653,708	40,272,641	92,606,161	471,532,510
Add: new balances during the year / Additions	102,138,596	37,871,772	4,551,296	144,561,664
Settled balances	(86,383,441)	(21,436,109)	(12,253,841)	(120,073,391)
Transfer to the first stage during the year	13,942,451	(8,744,627)	(5,197,824)	-
Transfer to second stage during the year	(5,695,355)	7,345,315	(1,649,960)	-
Transferred to the third stage during the year	(1,259,571)	(7,000,594)	8,260,165	-
Changes due to Adjustments *	33,612,522	14,492,024	3,007,494	51,112,040
Written off balances	-	-	(40,918,938)	(40,918,938)
Changes during the year	43,188,102	7,667,846	18,998,738	69,854,686
Net balance	**438,197,012**	**70,468,268**	**67,403,291**	**576,068,571**

* The new additions to the third stage represent the outstanding interest recorded during the year.

The movement of the provision for impairment losses of direct credit facilities for Corporate companies

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	1,722,536	2,967,166	21,625,697	26,315,398
Impairment loss of direct credit facilities during the period	2,899,346	4,328,283	14,072,856	21,300,485
Recoveries	(765,141)	(1,539,437)	(3,127,401)	(5,431,979)
Transfer from the first stage	7,504	(7,504)	-	-
Transfer from second stage	(64,024)	64,024	-	-
Transferred from the third stage	(3,115)	-	3,115	-
Changes due to Adjustments	301,527	75,584	-	377,111
Written off balances	-	-	(970,888)	(970,888)
Adjustments due to change in exchange rates	(51,239)	(222,367)	(754,797)	(1,028,403)
Net balance	**4,047,394**	**5,665,749**	**30,848,582**	**40,561,724**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance as at 1 January 2019	2,372,130	929,107	48,229,157	51,530,394
Impairment loss of direct credit facilities during the period	527,612	628,193	7,787,392	8,943,197
Recoveries	(1,598,365)	(747,347)	(1,833,770)	(4,179,482)
Transfer from the first stage	398,852	(71,883)	(326,969)	-
Transfer from second stage	(278,458)	1,196,259	(917,801)	-
Changes due to Adjustments	180,448	501,109	-	681,557
Changes during the year	120,317	531,728	3,501,150	4,153,194
Written off balances	-	-	(34,813,462)	(34,813,462)
Net balance	**1,722,536**	**2,967,166**	**21,625,697**	**26,315,398**

Direct credit facilities at amortized cost – Small and Medium Enterprises

Distribution of direct credit facilities for Small and Medium Enterprises by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	22,811,362	374,670	-	23,186,032
Acceptable risk / performing	91,651,625	51,080,726	2,969,993	145,702,344
Non- Performing				
Substandard	-	-	742,945	742,945
Doubtful	-	-	1,105,868	1,105,868
Loss	-	-	17,631,176	17,631,176
Total	**114,462,987**	**51,455,396**	**22,449,982**	**188,368,365**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	22,510,089	2,386,527	-	24,896,616
Acceptable risk / performing	57,115,159	42,323,332	4,306,305	103,744,796
Non- Performing				
Substandard	-	-	221,514	221,514
Doubtful	-	-	2,140,955	2,140,955
Loss	-	-	14,748,548	14,748,548
Total	**79,625,248**	**44,709,859**	**21,417,322**	**145,752,429**

Direct credit facilities at amortized cost - Small and Medium Enterprises

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	79,625,248	44,709,859	21,417,322	145,752,429
Add: new balances during the year / Additions *	53,942,096	4,264,574	2,499,520	60,706,190
Settled balances	(22,809,687)	(7,206,335)	(2,264,495)	(32,280,517)
Transfer from (to) the first stage during the year	7,521,153	(7,423,933)	(97,220)	-
Transfer (from) to second stage during the year	(3,393,736)	4,438,591	(1,044,855)	-
Transferred (from) to the third stage during the year	(102,098)	(2,272,381)	2,374,479	-
Changes due to Adjustments	1,304,896	14,983,759	-	16,288,655
Written off balances	-	-	(428,392)	(428,392)
Adjustments due to change in exchange rates	(1,624,885)	(38,738)	(6,377)	(1,670,000)
Net balance	**114,462,987**	**51,455,396**	**22,449,982**	**188,368,365**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	139,880,101	18,600,324	21,012,817	179,493,242
Add: new balances during the year / Additions *	49,824,422	6,488,353	2,224,645	58,537,420
Settled balances	(39,225,836)	(5,130,477)	(2,891,841)	(47,248,154)
Transfer from (to) the first stage during the year	2,746,076	(1,786,554)	(959,522)	-
Transfer (from) to second stage during the year	(12,047,592)	13,016,965	(969,373)	-
Transferred (from) to the third stage during the year	(20,187,863)	(655,309)	20,843,172	-
Changes due to Adjustments	1,824,042	21,844,403	1,183,052	24,851,497
Changes during the year	(43,188,102)	(7,667,846)	(18,998,738)	(69,854,686)
Written off balances	-	-	(26,890)	(26,890)
Net balance	**79,625,248**	**44,709,859**	**21,417,322**	**145,752,429**

* The new additions to the third stage represent the outstanding interest recorded during the year.

The movement of the provision for impairment losses of direct credit facilities for Small and Medium Enterprises

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	233,885	577,593	8,898,974	9,710,453
Impairement loss of direct credit facilities during the year	763,863	1,454,939	2,814,116	5,032,918
Recoveries	(132,889)	(272,452)	(2,516,640)	(2,921,981)
Transfer to (from) the first stage	63,251	(63,251)	-	-
Transfer to (from) second stage	(114,073)	114,073	-	-
Transferred from the third stage	-	(7,259)	7,259	-
Changes due to Adjustments	25,699	618,751	-	644,450
Written off balances	-	-	(221,651)	(221,651)
Adjustments due to change in exchange rates	(55,874)	(4,632)	(2,483)	(62,989)
Net balance	**783,862**	**2,417,762**	**8,979,575**	**12,181,200**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	775,595	559,483	5,264,878	6,599,956
Impairment loss of direct credit facilities during the year	338,545	451,510	7,812,951	8,603,006
Recoveries	(582,485)	(428,960)	(1,101,989)	(2,113,434)
Transfer to (from) the first stage	7,787	(7,787)	-	-
Transfer to (from) second stage	(189,573)	189,573	-	-
Changes due to Adjustments	4,333	345,502	424,284	774,119
Changes during the year	(120,317)	(531,728)	(3,501,150)	(4,153,194)
Net balance	**233,885**	**577,593**	**8,898,974**	**9,710,453**

Direct credit facilities at Amortized cost – Retail

Distribution of direct credit facilities for retail by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	65,386,694	450,157	73,317	65,910,168
Acceptable risk / performing	106,906,226	8,596,495	162,013	115,664,734
Non- Performing				
Substandard	-	-	1,028,170	1,028,170
Doubtful	-	-	772,471	772,471
Loss	-	-	8,352,070	8,352,070
Total	**172,292,920**	**9,046,652**	**10,388,041**	**191,727,613**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	12,971,352	351,710	6,128	13,329,190
Acceptable risk / performing	85,547,639	5,150,336	6,814,660	97,512,635
Non- Performing				
Substandard	-	-	269,223	269,223
Doubtful	-	-	565,675	565,675
Loss	-	-	8,427,680	8,427,680
Total	**98,518,991**	**5,502,046**	**16,083,366**	**120,104,403**

Direct credit facilities at Amortized cost – Retail

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	98,518,991	5,502,046	16,083,366	120,104,403
Add: new balances during the year / Additions *	92,104,255	3,102,566	953,579	96,160,400
Settled balances	(23,117,364)	(1,334,553)	(376,752)	(24,828,669)
Transfer to the first stage during the year	10,536,967	(2,490,062)	(8,046,905)	-
Transfer to second stage during the year	(3,865,833)	3,954,547	(88,714)	-
Transferred to the third stage during the year	(685,044)	(585,053)	1,270,097	-
Changes due to Adjustments	2,825,639	914,300	198,200	3,938,139
Written off balances	-	-	(53,200)	(53,200)
Adjustments due to change in exchange rates	(4,024,691)	(17,139)	448,370	(3,593,460)
Net balance	**172,292,920**	**9,046,652**	**10,388,041**	**191,727,613**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance as at 1 January 2019	82,400,262	11,508,176	10,228,398	104,136,836
Add: new balances during the year / Additions *	42,952,046	1,379,523	1,064,222	45,395,791
Settled balances	(26,774,170)	(4,295,755)	(1,005,495)	(32,075,420)
Transfer to the first stage during the year	4,846,709	(4,809,527)	(37,182)	-
Transfer to second stage during the year	(1,051,306)	1,112,023	(60,717)	-
Transferred to the third stage during the year	(4,416,770)	(1,506,757)	5,923,527	-
Changes due to Adjustments	562,220	2,114,363	60,904	2,737,487
Written off balances	-	-	(90,291)	(90,291)
Net balance	**98,518,991**	**5,502,046**	**16,083,366**	**120,104,403**

* The new additions to the third stage represent the outstanding interest recorded during the year.

The movement of the provision for impairment losses of direct credit facilities for Retail

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	661,998	156,191	5,277,960	6,096,149
Impairment loss of direct credit facilities during the period	635,327	277,853	1,640,901	2,554,081
Recoveries	(513,073)	(73,944)	(1,094,573)	(1,681,590)
Transfer to the first stage	113,788	(113,788)	-	-
Transfer to second stage	(112,682)	112,698	(16)	-
Changes due to Adjustments	14,623	11,092	96,493	122,208
Written off balances	-	-	(22,842)	(22,842)
Adjustments due to change in exchange rates	(60,842)	(3,780)	(161,394)	(226,016)
Net balance	**739,139**	**366,322**	**5,736,529**	**6,841,990**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	548,931	679,749	10,025,366	11,254,046
Impairment loss of direct credit facilities during the period	723,027	113,314	1,053,832	1,890,173
Recoveries	(601,855)	(658,044)	(5,802,322)	(7,062,221)
Transfer to the first stage	7,564	(7,564)	-	-
Transfer to second stage	(8,463)	8,463	-	-
Transferred to the third stage	(8,656)	-	8,656	-
Changes due to Adjustments	1,450	20,273	32,003	53,726
Written off balances	-	-	(39,575)	(39,575)
Net balance	**661,998**	**156,191**	**5,277,960**	**6,096,149**

Direct credit facilities at amortized cost – Real Estate

Distribution of direct credit facilities for real estate by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	25,815,134	2,766,661	203,309	28,785,104
Acceptable risk / performing	94,296,984	27,390,090	18,771	121,705,845
Non- Performing				
Substandard	-	-	319,463	319,463
Doubtful	-	-	1,522,058	1,522,058
Loss	-	-	12,424,271	12,424,271
Total	**120,112,118**	**30,156,751**	**14,487,872**	**164,756,741**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	20,718,287	497,055	154,307	21,369,649
Acceptable risk / performing	94,190,466	23,820,013	3,204,371	121,214,850
Non- Performing				
Substandard	-	-	437,681	437,681
Doubtful	-	-	2,253,654	2,253,654
Loss	-	-	10,413,724	10,413,724
Total	**114,908,753**	**24,317,068**	**16,463,737**	**155,689,558**

Direct credit facilities at amortized cost – Real Estate

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	114,908,753	24,317,068	16,463,737	155,689,558
Add: new balances during the year / Additions *	19,418,940	3,612,020	1,265,926	24,296,886
Settled balances	(20,469,044)	(9,602,276)	(2,469,285)	(32,540,605)
Transfer to the first stage during the year	4,262,774	(4,145,897)	(116,877)	-
Transfer to second stage during the year	(7,942,251)	10,609,708	(2,667,457)	-
Transferred to the third stage during the year	(731,206)	(1,078,657)	1,809,863	-
Changes due to Adjustments	10,664,152	6,444,785	201,965	17,310,902
Net balance	**120,112,118**	**30,156,751**	**14,487,872**	**164,756,741**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	137,209,645	9,012,684	10,546,644	156,768,973
Add: new balances during the year / Additions *	15,605,875	1,844,668	1,277,344	18,727,887
Settled balances	(17,865,885)	(2,755,149)	(56,735)	(20,677,769)
Transfer to the first stage during the year	2,661,960	(2,661,960)	-	-
Transfer to second stage during the year	(6,504,303)	6,628,865	(124,562)	-
Transferred to the third stage during the year	(3,027,628)	(1,737,400)	4,765,028	-
Changes due to Adjustments	(13,170,911)	13,985,360	60,921	875,370
Written off balances	-	-	(4,903)	(4,903)
Net balance	**114,908,753**	**24,317,068**	**16,463,737**	**155,689,558**

* The new additions to the third stage represent the outstanding interest recorded during the year.

The movement of the provision for impairment losses of direct credit facilities for Real Estate

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	119,156	69,890	3,539,658	3,728,704
Impairment loss of direct credit facilities during the year	203,270	1,361,115	2,766,919	4,331,304
Recoveries	(97,774)	(50,992)	(584,197)	(732,963)
Transfer to the first stage	124,121	(124,121)	-	-
Transfer to second stage	(64,126)	64,126	-	-
Adjustments due to changes	13,102	33,786	11,286	58,174
Net balance	**297,749**	**1,353,804**	**5,733,666**	**7,385,219**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	762,410	452,535	2,223,628	3,438,573
Impairment loss of direct credit facilities during the year	17,134	43,497	2,196,592	2,257,223
Recoveries	(757,788)	(354,351)	(888,556)	(2,000,695)
Transfer to the first stage	97,357	(97,357)	-	-
Adjustments due to changes	43	25,566	7,994	33,603
Net balance	**119,156**	**69,890**	**3,539,658**	**3,728,704**

Direct credit facilities at amortized cost – Government and Public Sector

Distribution of direct credit facilities for government sector by categories of the Bank's internal credit rating

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	-	-	-	-
Acceptable risk / performing	60,023,731	-	-	60,023,731
Total	**60,023,731**	**-**	**-**	**60,023,731**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	-	-	-	-
Acceptable risk / performing	49,198,622	-	-	49,198,622
Total	**49,198,622**	**-**	**-**	**49,198,622**

Direct credit facilities at amortized cost – Government and Public Sector

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	49,198,622	-	-	49,198,622
Add: new balances during the year / Additions *	23,669,110	-	-	23,669,110
Settled balances	(12,844,001)	-	-	(12,844,001)
Net balance	**60,023,731**	**-**	**-**	**60,023,731**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	68,600,726	-	-	68,600,726
Add: new balances during the year / Additions *	7,200,276	-	-	7,200,276
Settled balances	(26,602,380)	-	-	(26,602,380)
Net balance	**49,198,622**	**-**	**-**	**49,198,622**

* The new additions to the third stage represent the outstanding interest recorded during the year.

The movement of the provision for impairment losses of direct credit facilities for Government and Public sector

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	3,369	-	-	3,369
Impairment loss of direct credit facilities during the year	-	-	-	-
Recoveries	(3,369)	-	-	(3,369)
Net balance	**-**	**-**	**-**	**-**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance as at 1 January 2019	-	-	-	-
Impairment loss of direct credit facilities during the year	3,369	-	-	3,369
Recoveries	-	-	-	-
Net balance	**3,369**	**-**	**-**	**3,369**

Direct credit facilities at amortized cost – Cumulative

Distribution of cumulative direct credit facilities - amortized cost by categories of the Bank's internal credit rating:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	251,177,496	9,361,263	276,626	260,815,385
Acceptable risk / performing	862,077,885	168,900,891	9,586,951	1,040,565,727
Non- Performing				
Substandard	-	-	2,245,424	2,245,424
Doubtful	-	-	8,477,211	8,477,211
Loss	-	-	81,263,137	81,263,137
Total	**1,113,255,381**	**178,262,154**	**101,849,349**	**1,393,366,884**
As of 31 December 2019	**Stage one**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Low risk / performing	146,102,141	3,975,477	160,435	150,238,053
Acceptable risk / performing	634,346,485	141,021,764	25,103,552	800,471,801
Non- Performing				
Substandard	-	-	24,459,525	24,459,525
Doubtful	-	-	5,021,342	5,021,342
Loss	-	-	66,622,862	66,622,862
Total	**780,448,626**	**144,997,241**	**121,367,716**	**1,046,813,583**

The cumulative movement of direct credit facilities

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	780,448,626	144,997,241	121,367,716	1,046,813,583
Add: new balances during the year / Additions *	406,913,505	35,872,237	10,320,967	453,106,709
Settled balances	(148,958,439)	(37,355,990)	(16,193,355)	(202,507,784)
Transfer to the first stage during the year	26,115,384	(14,317,915)	(11,797,469)	-
Transfer to second stage during the year	(23,963,099)	28,713,495	(4,750,396)	-
Transferred to the third stage	(1,708,056)	(3,941,091)	5,649,147	-
Changes due to Adjustments	85,077,733	27,120,628	400,165	112,598,526
Written off balances	-	-	(1,979,682)	(1,979,682)
Adjustments due to change in exchange rates	(10,670,273)	(2,826,451)	(1,167,744)	(14,664,468)
Net balance	**1,113,255,381**	**178,262,154**	**101,849,349**	**1,393,366,884**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	766,744,442	79,393,825	134,394,020	980,532,287
Add: new balances during the year / Additions *	217,721,215	47,584,316	9,117,507	274,423,038
Settled balances	(196,851,712)	(33,617,490)	(16,207,912)	(246,677,114)
Transfer to the first stage during the year	24,197,196	(18,002,668)	(6,194,528)	-
Transfer to second stage during the year	(25,298,556)	28,103,168	(2,804,612)	-
Transferred to the third stage	(28,891,832)	(10,900,060)	39,791,892	-
Changes due to Adjustments	22,827,873	52,436,150	4,312,371	79,576,394
Written off balances	-	-	(41,041,022)	(41,041,022)
Net balance	**780,448,626**	**144,997,241**	**121,367,716**	**1,046,813,583**

* New balances / additions during phase three represent suspended interest during the year

The cumulative movement of the provision for impairment losses of direct credit facilities according to sectors:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	2,740,944	3,770,840	39,342,289	45,854,073
Impairment loss of direct credit facilities/ Additions during the year	4,501,806	7,422,190	21,294,792	33,218,788
Recoveries	(1,512,246)	(1,936,825)	(7,322,811)	(10,771,882)
Transfer to (from) the first stage	308,664	(308,664)	-	-
Transfer to (from) second stage	(354,905)	354,921	(16)	-
Transferred to (from) the third stage	(3,115)	(7,259)	10,374	-
Changes due to Adjustments	354,951	739,213	107,779	1,201,943
Written off balances	-	-	(1,215,381)	(1,215,381)
Adjustments due to change in exchange rates	(167,955)	(230,779)	(918,674)	-1,317,408
Net balance	**5,868,144**	**9,803,637**	**51,298,352**	**66,970,133**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	4,459,066	2,620,874	65,743,029	72,822,969
Impairment loss of direct credit facilities/ Additions during the year	1,609,687	1,236,514	18,850,767	21,696,968
Recoveries	(3,540,493)	(2,188,702)	(9,626,637)	(15,355,832)
Transfer to the first stage	511,560	(184,591)	(326,969)	-
Transfer to second stage	(476,494)	1,394,295	(917,801)	-
Transferred to the third stage	(8,656)	-	8,656	-
Changes due to Adjustments	186,274	892,450	464,281	1,543,005
Written off balances	-	-	(34,853,037)	(34,853,037)
Net balance	**2,740,944**	**3,770,840**	**39,342,289**	**45,854,073**

The cumulative movement of the provision for impairment losses of direct credit facilities according to sectors:

As of 31 December 2020	Retail	Real estate	Corporate	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Balance as at 1 January 2020	6,096,149	3,728,704	26,315,398	9,710,453	3,369	45,854,073
Impairment loss of direct credit facilities during the year	2,554,081	4,331,304	21,300,485	5,032,918	-	33,218,788
Recoveries	(1,681,590)	(732,963)	(5,431,979)	(2,921,981)	(3,369)	(10,771,882)
Transfer (from) to the first stage	1,106	59,995	(56,520)	(50,822)	-	(46,241)
Transfer from (to) second stage	(1,090)	(59,995)	56,520	50,822	-	46,257
Transferred to (from) the third stage	(16)	-	-	-	-	(16)
Changes due to Adjustments	122,208	58,174	377,111	644,450	-	1,201,943
Written off balances	(22,842)	-	(970,888)	(221,651)	-	(1,215,381)
Adjustments due to change in exchange rates	(226,016)	-	(1,028,403)	(62,989)	-	(1,317,408)
Net balance	**6,841,990**	**7,385,219**	**40,561,724**	**12,181,200**	**-**	**66,970,133**

As of 31 December 2019	Retail	Real estate	Corporate	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Balance as at 1 January 2019	11,254,046	3,438,573	51,530,394	6,599,956	-	72,822,969
Impairment loss of direct credit facilities during the year	1,890,173	2,257,223	8,943,197	8,603,006	3,369	21,696,968
Recoveries	(7,062,221)	(2,000,695)	(4,179,482)	(2,113,434)	-	(15,355,832)
Transfer (from) to the first stage	(9,555)	97,357	120,394	(181,786)	-	26,410
Transfer from (to) second stage	899	(97,357)	1,124,376	181,786	-	1,209,704
Transferred to (from) the third stage	8,656	-	(1,244,770)	-	-	(1,236,114)
Changes due to Adjustments	53,726	33,603	681,557	774,119	-	1,543,005
Changes during the year	-	-	4,153,194	(4,153,194)		-
Written off balances	(39,575)	-	(34,813,462)	-	-	(34,853,037)
Net balance	**6,096,149**	**3,728,704**	**26,315,398**	**9,710,453**	**3,369**	**45,854,073**

Interest in suspense

The movement of interest in suspense is as follow:

As of 31 December 2020	Retail	Real estate	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
Balance as at 1 January 2020	3,000,973	2,305,645	9,256,316	3,372,535	17,935,469
Add: Suspended interest during the year	953,579	1,265,926	5,601,942	2,499,520	10,320,967
Less: interest transferred to income	(465,629)	(349,419)	(1,709,119)	(391,169)	(2,915,336)
Less: amounts written off	(30,358)	-	(527,202)	(206,741)	(764,301)
Foreign exchange differences	(171,255)	-	(966,399)	(1,345)	(1,138,999)
Balance at the end of the year	**3,287,310**	**3,222,152**	**11,655,538**	**5,272,800**	**23,437,800**

As of 31 December 2019	Retail	Real estate	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
Balance as at 1 January 2019	3,672,612	1,364,011	9,971,870	1,741,423	16,749,916
Add: Suspended interest during the year	1,064,222	1,277,344	4,551,296	2,224,645	9,117,507
Less: interest transferred to income	(399,076)	(330,807)	(1,067,645)	(339,580)	(2,137,108)
Changes during the year	(1,286,072)	-	1,513,135	(227,063)	-
Less: amounts written off	(50,713)	(4,903)	(5,712,340)	(26,890)	(5,794,846)
Balance at the end of the year	**3,000,973**	**2,305,645**	**9,256,316**	**3,372,535**	**17,935,469**

Direct credit facilities portfolio is distributed as per the following geographical and industrial sectors classification:

	Inside Jordan	Outside Jordan	31 December 2020	31 December 2019
	JD	JD	JD	JD
Financial	24,137,414	-	24,137,414	14,936,733
Industrial	152,390,117	4,293,378	156,683,495	126,355,087
Commercial	213,890,981	104,681,479	318,572,460	241,214,542
Real estate and Construction	314,140,707	8,004,428	322,145,135	292,657,306
Tourism and hotels	46,809,774	-	46,809,774	31,603,419
Agriculture	38,004,045	86,393	38,090,438	10,870,678
Shares	81,799,133	-	81,799,133	61,825,556
Services utilities and public	84,043,767	-	84,043,767	70,610,888
Transportation services (including air transportation)	52,831,926	-	52,831,926	14,751,710
Government and public sector	60,023,731	-	60,023,731	49,198,622
Retail	129,996,046	47,701,542	177,697,588	111,495,059
Other	25,481,972	5,050,051	30,532,023	21,293,983
Total	**1,223,549,613**	**169,817,271**	**1,393,366,884**	**1,046,813,583**

(12) Financial Assets At Amortized Cost

This item consists of the following:

	31 December 2020	31 December 2019
	JD	JD
Financial assets at amortized cost with no market prices		
Treasury bonds	77,199,293	-
Governmental debt securities	447,477,050	407,544,154
Governmental debt securities and its guarantee	30,503,143	44,134,322
Bonds, Corporate debt securities	9,245,000	19,245,000
Other government bonds	-	12,453,583
Total	**564,424,486**	**483,377,059**
Less: Impairment allowance and expected credit losses	(540,029)	(549,967)
Total	**563,884,457**	**482,827,092**
Analysis of bonds and bills:		
Fixed Rate	552,321,485	471,243,075
Floating rate	11,562,972	11,584,017
Total	**563,884,457**	**482,827,092**

Financial Assets At Amortized Cost

Distribution of financial Assets at Amortized Cost by categories of the Bank's internal credit rating:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	555,179,486	-	-	555,179,486
Acceptable risk / performing	3,545,000	5,200,000	-	8,745,000
Non- Performing				
Loss - Bad debt	-	-	500,000	500,000
Total	**558,724,486**	**5,200,000**	**500,000**	**564,424,486**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	451,678,476	-	-	451,678,476
Acceptable risk / performing	25,998,583	-	5,200,000	31,198,583
Non- Performing				
Loss - Bad debt	-	-	500,000	500,000
Total	**477,677,059**	**-**	**5,700,000**	**483,377,059**

Movements of Financial Assets at Amortized Cost:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	477,677,059	-	5,700,000	483,377,059
Add: new balances during the year	81,385,377	-	-	81,385,377
Settled balances	(22,497,613)	-	-	(22,497,613)
Transfer to second stage during the year	-	5,200,000	(5,200,000)	-
Transfers to pledged financial assets	(25,330,821)	-	-	(25,330,821)
Transfers from pledged financial assets	47,490,484	-	-	47,490,484
Net balance as at 31 December 2020	**558,724,486**	**5,200,000**	**500,000**	**564,424,486**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	541,123,876	-	500,000	541,623,876
Add: new balances during the year	91,009,026	-	-	91,009,026
Settled balances	(101,765,359)	-	-	(101,765,359)
Transferred from (to) the third stage during the year	(5,200,000)	-	5,200,000	-
Changes due to Adjustments	(47,490,484)	-	-	(47,490,484)
Net balance as at 31 December 2019	**477,677,059**	**-**	**5,700,000**	**483,377,059**

Movements of provision on of Financial Assets at Amortized Cost:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	49,967	-	500,000	549,967
Add: new balances during the year	-	31,377	-	31,377
Settled balances	(41,315)	-	-	(41,315)
Net balance as at 31 December 2020	**8,652**	**31,377**	**500,000**	**540,029**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	130,409	-	500,000	630,409
Add: new balances during the year	1,655	-	-	1,655
Settled balances	(82,097)	-	-	(82,097)
Net balance as at 31 December 2019	**49,967**	**-**	**500,000**	**549,967**

No provision for expected credit losses was calculated on bonds and treasury bills for the Jordanian government and that is according to the regulations by the Central Bank of Jordan related to IFRS 9.

(13) Pledged Financial Assets

Distribution of financial Assets at Amortized Cost by categories of the Bank's internal credit rating:

	31 December 2020		31 December 2019	
	Pledged Financial Assets	Associated Liabilities (Note 23)	Pledged Financial Assets	Associated Liabilities
	JD	JD	JD	JD
Financial Assets at Amortized Cost	25,330,821	26,094,227	47,490,484	50,000,000
Financial Assets at Fair Value Through Other Comprehensive Income (bonds guaranteed by Jordanian Government)	7,268,800	7,487,863	-	-
Total	**32,599,621**	**33,582,090**	**47,490,484**	**50,000,000**

- The bonds were mortgaged on 31 December 2020, against funds borrowed from the Central Bank Repurchase Agreement (REPO).

Disclosure of the movement on pledged financial assets

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Fair value at beginning of the year	47,490,484	-	-	47,490,484
What has been transferred to financial assets at amortized cost	(47,490,484)	-	-	(47,490,484)
What has been transferred from financial assets at amortized cost	25,330,821	-	-	25,330,821
What has been transferred from financial assets at fair value through other comprehensive income	7,268,800	-	-	7,268,800
Total	**32,599,621**	**-**	**-**	**32,599,621**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Fair value at beginning of the year	-	-	-	-
What has been transferred from financial assets at amortized cost	47,490,484	-	-	47,490,484
What has been transferred from financial assets at fair value through other comprehensive income	-	-	-	-
Total	**47,490,484**	**-**	**-**	**47,490,484**

- The provision for expected credit losses has not been calculated for Jordanian government bonds, which are guaranteed by the pledged Jordanian government, in accordance with the instructions of the Central Bank of Jordan related to the application of IFRS 9.

(14) Property, plant and Equipment – Net

2020	Lands	Buildings	Furniture & Fixtures	Vehicles	Computers	Others*	Total
Cost	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Balance at 1 January 2020	13,442,742	6,833,954	10,671,698	602,666	7,024,689	15,084,659	53,660,408
Additions	3,686,685	1,039,100	3,724,225	-	483,886	945,022	9,878,919
Disposals	-	-	(41,384)	(15,342)	(16,962)	(65,432)	(139,120)
Foreign exchange differences	(948,966)	(189,474)	(404,929)	(35,626)	(237,349)	(535,292)	(2,351,636)
Balance at the end of the year	**16,180,461**	**7,683,580**	**13,949,610**	**551,698**	**7,254,264**	**15,428,957**	**61,048,571**
Accumulated depreciation:							
Balance at 1 January 2020	-	1,505,787	7,587,245	462,529	4,594,688	10,065,700	24,215,949
Depreciation charge for the year	-	113,338	1,156,948	53,954	565,369	1,103,892	2,993,502
Disposals	-	-	(28,438)	(18,227)	(16,907)	(51,569)	(115,141)
Foreign exchange differences	-	(33,847)	(496,606)	(26,091)	-	(430,192)	(986,736)
Balance at the end of the year	**-**	**1,585,279**	**8,219,149**	**472,165**	**5,143,150**	**10,687,831**	**26,107,574**
Net book value of property and equipment at the end of the year 2020	**16,180,461**	**6,098,301**	**5,730,461**	**79,533**	**2,111,115**	**4,741,126**	**34,940,997**
2019	**Lands**	**Buildings**	**Furniture & Fixtures**	**Vehicles**	**Computers**	**Others***	**Total**
Cost	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Balance at 1 January 2019	13,442,742	6,833,954	9,695,281	602,666	6,581,476	14,397,041	51,553,160
Additions	-	-	1,807,080	-	521,684	687,618	3,016,382
Disposals	-	-	(830,663)	-	(78,471)	-	(909,134)
Balance at the end of the year	**13,442,742**	**6,833,954**	**10,671,698**	**602,666**	**7,024,689**	**15,084,659**	**53,660,408**
Accumulated depreciation:							
Balance at 1 January 2019	-	1,403,968	6,920,499	409,265	3,926,542	9,284,274	21,944,548
Depreciation charge for the year	-	101,819	1,467,814	53,264	745,014	781,426	3,149,337
Disposals	-	-	(801,068)	-	(76,868)	-	(877,936)
Balance at the end of the year	**-**	**1,505,787**	**7,587,245**	**462,529**	**4,594,688**	**10,065,700**	**24,215,949**
Net book value of property and equipment at the end of the year 2019	**13,442,742**	**5,328,167**	**3,084,453**	**140,137**	**2,430,001**	**5,018,959**	**29,444,459**

* Others represent renovation, interior design and decoration of buildings and branch offices.

* Fully depreciated property and equipment amounted to JD 16,759,739 as of 31 December 2020 against JD 13,521,927 as of 31 December 2019.

(15) Intangible Assets, Net

This Item Consists of the following:

	Computer Software & Systems	
	2020	2019
	JD	JD
Balance at the beginning ot the year	3,351,178	3,896,230
Additions	9,981,967	1,363,419
Amortization for the year	(2,102,006)	(1,908,471)
Foreign currency differences	(51,129)	-
Balance at the end of the year	**11,180,010**	**3,351,178**

- Fully amortized intangible assets amounted to JD 15,417,303 as of 31 December 2020 against JD 13,110,538 as of 31 December 2019.

(16) Other Assets

This item consists of the following:

	2020	2019
	JD	JD
Accrued interest and revenue	21,268,858	17,772,860
Prepaid expenses	2,504,395	1,677,658
Collaterals seized by the bank against matured debts* - amortized cost	59,040,733	67,172,269
Purchased banks acceptances - amortized cost	34,452,639	30,109,812
Export documents and bills purchased - amortized cost	-	317,897
Assets / derivatives unrealized gain (Note 44)	610,863	676,726
Refundable deposits	3,535,961	2,744,438
Advanced payments / Vendors **	14,457,999	20,358,713
Others	7,366,527	3,569,534
Total	**143,237,975**	**144,399,907**

* According to the regulations of the Central Bank of Jordan, the bank is required to dispose seized real estate in a maximum period of two years from the acquisition date. The Central Bank may approve an extension up to two executive years at most. According to the Central Bank circular No. 10/1/4076 , a provision should be calculated for real estate seized for a period longer than four years .

** The estimated cost to complete the vendor payments in progress amounted to around JD 17,025,488 as of 31 December 2020 against 29,713,523 as of 31 December 2019.

The following is a summary of the movement of assets seized by the bank:

	2020	2019
	JD	JD
Balance at the beginning of the period	67,172,269	61,060,034
Additions	4,285,416	11,219,118
Retirements	(10,605,647)	(3,852,996)
Impairment losses	(1,004,170)	(1,846,205)
Releases from seized real estate	1,020,208	592,318
Foreign currency translation differences	(1,827,343)	-
Balance at the end of the period	**59,040,733**	**67,172,269**

Purchased Banks acceptances – Amortized cost

Distribution of bank acceptances and export documents and bills purchased by categories of the Bank's internal credit rating:

As of 31 December 2020	Stage one	Stage two	Stage three	Total
	JD	JD	JD	JD
Low risk / performing	1,653,412	-	-	1,653,412
Acceptable risk / performing	32,767,602	148,595	-	32,916,197
Total	**34,421,014**	**148,595**	**-**	**34,569,609**

As of 31 December 2019	Stage two	Stage three	Stage three	Total
	JD	JD	JD	JD
Low risk / performing	238,600	-	-	238,600
Acceptable risk / performing	30,038,520	232,297	-	30,270,817
Total	**30,277,120**	**232,297**	**-**	**30,509,417**

Movements of bank acceptances and export documents and bills purchased:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	30,277,120	232,297	-	30,509,417
Add: new balances during the year	34,420,245	148,595	-	34,568,840
Settled balances	(30,276,351)	(232,297)	-	(30,508,648)
Net balance	**34,421,014**	**148,595**	**-**	**34,569,609**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	16,571,371	46,972	-	16,618,343
Add: new balances during the year	29,959,223	232,297	-	30,191,520
Settled balances	(16,253,474)	(46,972)	-	(16,300,446)
Net balance	**30,277,120**	**232,297**	**-**	**30,509,417**

Movements of provisions on bank acceptances and export documents and bills purchased:

As of 31 December 2020	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	79,220	2,488	-	81,708
Add: new balances during the year	111,530	4,672	-	116,202
Settled balances	(78,452)	(2,488)	-	(80,940)
Net balance	**112,298**	**4,672**	**-**	**116,970**

As of 31 December 2019	Stage one	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	78,632	1,092	-	79,724
Add: new balances during the year	79,220	2,488	-	81,708
Settled balances	(78,632)	(1,092)	-	(79,724)
Net balance	**79,220**	**2,488**	**-**	**81,708**

(17) Right to use leased assets and leased assets contracts obligations

The right to use leased assets	2020	2019
	JD	JD
Present value of the right to use leased assets	-	3,708,322
Balance of denominated rentals	-	195,564
Adjusted balance as of 01 January	**3,695,089**	**3,903,886**
Add: new contracts during the year	1,297,530	790,157
Less: depreciation during the year	1,252,237	998,954
Foreign currency translation differences	202,657	-
Right to use leased assets	**3,943,039**	**3,695,089**

Obligations of leased assets contracts	2020	2019
	JD	JD
Obligations of operating lease contracts	-	4,452,613
Deduction of operating lease commitments using the lessee's additional borrowing rate	-	543,092
Operating lease commitments	**3,787,881**	**3,909,521**
Add: interest expenses during the year	246,839	191,903
Add: new contracts during the year	1,310,130	591,088
Less: obligations repaid during the year	1,432,076	904,631
Foreign currency translation differences	70,959	-
Operating lease commitments	**3,983,732**	**3,787,881**

(18) Banks and Financial Institutions' Deposits

The details are as follows:

	2020			2019		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current and demand deposits	77,148	13,986,215	14,063,363	42,087	13,511,072	13,553,159
Term deposits under 3 months	19,947,754	104,047,736	123,995,490	79,858,784	15,381,500	95,240,284
Term deposits Maturing between 3 and 6 months	-	-	-	5,000,000	-	5,000,000
Total	**20,024,902**	**118,033,951**	**138,058,853**	**84,900,871**	**28,892,572**	**113,793,443**

(19) Customers' Deposits

This item consists of the following:

2020	Retail	Corporate	SMEs	Government and Public Sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	170,083,431	230,515,021	71,290,279	44,473,011	516,361,742
Saving accounts	91,394,775	-	37,289	-	91,432,064
Time and notice deposits	598,656,698	254,221,350	26,935,238	104,399,899	984,213,185
Certificates of deposit	82,205,815	-	-	-	82,205,815
Total	**942,340,719**	**484,736,371**	**98,262,806**	**148,872,910**	**1,674,212,806**
2019	**Retail**	**Corporate**	**SMEs**	**Government and Public Sectors**	**Total**
	JD	JD	JD	JD	JD
Current and demand deposits	123,896,387	137,865,415	61,939,116	30,709,641	354,410,559
Saving accounts	68,916,230	2,415	644,525	-	69,563,170
Time and notice deposits	510,929,734	161,387,577	22,671,749	92,579,328	787,568,388
Certificates of deposit	93,110,465	-	1,370,000	-	94,480,465
Total	**796,852,816**	**299,255,407**	**86,625,390**	**123,288,969**	**1,306,022,582**

- The deposits of government and general public sector inside Jordan amounted to JD 148,872,910 representing 8.89 % of the total deposits as at 31 December 2020 against JD 123,288,969 representing 9.44 % as at 31 December 2019.
- Non-interest bearing deposits amounted to JD 426,458,931 representing 25.47 % of total deposits as at 31 December 2020 against JD 258,927,721 representing 19.83 % of the total deposits as at 31 December 2019.
- Reserved deposits (restricted withdrawals) amounted JD 13,645,671 as at 31 December 2020, against JD 5,831,968 as at 31 December 2019.
- Dormant deposits amounted to JD 6,390,038 as at 31 December 2020 against JD 627,848 as at 31 December 2019.

(20) Margin Accounts

The details are as follows:

	2020	2019
	JD	JD
Margins on direct credit facilities	71,081,895	53,424,057
Margins on indirect credit facilities	56,917,756	91,120,681
Margin dealings	889,822	1,216,118
Others	22,833,909	23,248,710
Total	**151,723,382**	**169,009,566**

(21) Loans and Borrowings

The details are as follows:

31 December 2020	Amount	Number of Installments		Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
	JD	JD	JD		JD	%	
Amounts borrowed from central banks	184,704,862	12,704	12,176	Monthly and semi annual payment and payment at maturity	32,599,621	0.00% to 4.00%	3.75% to 4.75%
Amounts borrowed from local banks and financial institutions	55,000,000	6	6	One payment	-	4.30% to 7.00%	4.50% to 12.40%
Amounts borrowed from foreign banks and financial institutions	90,286,365	74	52	Monthly and semi annual payment and payment at maturity	-	1.00% to 2.79%	3.87% to 12.00%
Total	**329,991,227**				**32,599,621**		

31 December 2019	Amount	Number of Installments		Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
	JD	JD	JD		JD	%	
Amounts borrowed from central banks	101,491,549	3,726	2,455	Monthly and semi annual payment and payment at maturity	47,490,484	0.70% to 4.00%	3.75% to 4.75%
Amounts borrowed from local banks and financial institutions	55,000,000	6	6	One payment	-	5.25% to 7.00%	4.50% to 12.40%
Amounts borrowed from foreign banks and financial institutions	8,827,975	71	52	Monthly and semi annual payment and payment at maturity	-	1.77% to 6.25%	3.87% to 12.00%
Total	**165,319,524**				**-**		

- Borrowed money from the Central Bank includes JD 151,122,772 that represents amounts borrowed to refinance the customers' loans in the medium term financing programs that have been re-borrowed. These loans mature during 2021 - 2039.
- Borrowed money from the Central Bank of Jordan includes JD 33,582,090 that represents amounts borrowed to refinance a repurchase agreement against pledged (mortgaged) financial assets with a total of JD 47,490,484 as of December 31 2019 (Note 13).
- The amounts borrowed from local institutions are all borrowed from the Jordan Mortgagee Refinance Company with a total amount of JD 55 Million. The loans mature during 2021 - 2023.
- Loans bearing fixed - interest rates amounted to JD 326,286,227 and loans bearing floating - interest rates amounted to JD 3,705,000 as at 31 December 2020 against JD 159,393,810 and JD 5,925,714 respectively as at 31 December 2019.

(22) Subordinated Loans

31 December 2020	Amount JD	Frequency of instalments	Collaterals JD	Interest Rate %
Subordinated Loan	28,360,000	One payment maturing on 15 March 2026	-	7.00%
Total	**28,360,000**		**-**	
31 December 2019	**Amount JD**	**Frequency of instalments**	**Collaterals JD**	**Interest Rate %**
Subordinated Loan	28,360,000	One payment maturing on 15 March 2026	-	7.00%
Total	**28,360,000**		**-**	

- The Bank has completed issuing a $40 million bond on March 15 2019, classified as a tier two in accordance with Basel III instructions. The bank has exercised the rights to purchase the previous bond of $25 million that was issued on March 1 2019.

(23) Sundry Provisions

31 December 2020	Balance at the beginning of the year JD	Provided during the period/year JD	Utilized during the period/year JD	Transferred to income JD	Balance at the end of the period/year JD
Provision for lawsuits raised against the bank	102,700	27,740	(27,740)	-	102,700
Other provisions	4,819,310	-	(519,498)	-	4,299,812
Foreign Currency translation differences	-	-	(884,031)	-	(884,031)
Total	**4,922,010**	**27,740**	**(1,431,269)**	**-**	**3,518,481**
31 December 2019					
Provision for lawsuits raised against the bank	4,000	98,700	-	-	102,700
Other provisions	8,706,446	-	(3,887,136)	-	4,819,310
Foreign Currency translation differences	72,835	-	(72,835)	-	-
Total	**8,783,281**	**98,700**	**(3,959,971)**	**-**	**4,922,010**

- The bank has fully hedged against the differences resulting from the currency auctions as requested by the Central Bank of Iraq from the affiliate -National Bank of Iraq- during the year 2018, by which the National Bank of Iraq claimed these amounts from its customers according to the Central Bank of Iraq, in addition to the recourse of the judiciary to collect these amounts. The National Bank of Iraq has collected an amount of JD 615,369 during the year ended 31 December 2020 against JD 2,013,988 during the year ended 31 December 2019.

(24) Income Tax

A- The movement of income tax provision is as follows:

	31 December 2020	31 December 2019
	JD	JD
Balance at the beginning of the period/year	6,850,303	6,500,757
Income tax paid	(9,621,681)	(7,376,775)
Income tax charge for the year	7,713,455	7,690,574
Income tax charge for previous years	175,237	35,748
Foreign exchange translation differences	(229,577)	-
Balance at the end of the period/year	**4,887,737**	**6,850,303**

Income tax expense presented in consolidated income statement:

	31 December 2020	31 December 2019
	JD	JD
Current income tax charge for the year	7,713,455	7,690,574
Previous years income tax charges	175,237	35,748
Deferred tax assets for the year	(602,582)	(420,274)
Deferred tax liabilities for the year	(69,575)	1,006,033
Foreign exchange translation differences	488,901	-
	7,705,436	**8,312,080**

- Legal income tax rate on the Bank's revenues and brokerage firm is 38% and 28% respectively.
- Legal income tax on the Bank's revenues in Iraq is 15%.
- A final settlement has been made with the Income and Sales tax department regarding the Bank's tax in Jordan till the end of 2015.
- The Income and Sales Tax Department did not commence its review on the Bank's account for the year ended 2016 and 2017 until the date of these consolidated financial statements.
- The Bank has submitted its financial statements for the years ended 2018, and the Income Tax Department has not reviewed these statements until the date of consolidated financial statements.
- A final settlement has been made with the Income and Sales Tax Department regarding the tax on Capital Investment and Brokerage company till the end of 2015.
- Capital Investment and Brokerage company have submitted the tax return for the year 2016, 2017 and 2018. Final settlements are still pending as of the date of the consolidated financial statements.
- A final settlement has been made with the Income Tax Department regarding the tax on National Bank of Iraq till the end of 2016, and the Bank has settled the amounts due until the end of 2018.
- The management and tax consultants believe that the income tax provision recorded is sufficient to meet the tax obligations as at 31 December 2020.

B– Income Tax liabilities

The movement of income tax liability is as follows:

Items Included	2020					
	Balance at the beginning of the year	Released	Additions	Balance at the end of the year	Deferred Tax	2019
	JD	JD	JD	JD	JD	JD
a) Deferred tax assets						
Provision for lawsuits held against the bank	102,700	-	27,740	130,440	49,567	39,026
Impairment loss on seized shares	7,191,841	-	-	7,191,841	2,732,900	2,732,900
Losses from revaluation of financial assets through income statement	195,462	(195,462)	-	-	-	65,242
Provision for watch list facilities	6,407,266	(24,869)	9,368,349	15,750,746	5,977,643	3,027,244
Losses from revaluation of financial assets through other comprehensive income	2,374,370	(14,876)	289,271	2,648,765	955,285	840,972
Additional provision on other credit facilities	16,382,685	(6,428,912)	84,884	10,038,657	2,002,094	3,826,955
Impairment of seized assets	9,436,884	(1,356,925)	900,000	8,979,959	3,412,384	3,586,015
Other deferred tax assets	1,920,000	(1,920,000)	1,195,909	1,195,909	432,974	727,598
Total	**44,011,208**	**(9,941,044)**	**11,866,153**	**45,936,317**	**15,562,847**	**14,845,952**
b) Deferred tax liabilities						
Unrealized gains – financial assets at fair value though OCI	4,472,272	2,997,139	-	7,469,411	1,873,009	1,603,621
Unrealized gain from financial assets – at fair value through income statement	183,088	(183,088)	-	-	942,969	1,012,544
Total	**4,655,360**	**2,814,051**	**-**	**7,469,411**	**2,815,978**	**2,616,165**

The movement on deferred tax assets/ liabilities is as follows:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	14,845,952	2,616,165	14,791,131	1,212,993
Additions	(163,089)	199,813	495,198	1,403,172
Released	879,985	-	(440,377)	-
Balance at the end of the year	**15,562,847**	**2,815,978**	**14,845,952**	**2,616,165**

- The Income tax rates on deferred tax assets and liabilities ranged between 28% - 38% in accordance to the newly issued Income Tax Law number 38, effective 1 January 2019.

- Reconciliation between taxable profit and the accounting profit is as follows:

	2020	2019
	JD	JD
Accounting profit	38,007,514	37,128,857
Non-taxable income	(12,540,596)	(11,397,059)
Non-deductible expenses	11,293,457	9,769,762
Taxable profit	**36,760,375**	**35,501,560**
Effective rate of income tax	20.27%	22.39%

- The statutory income tax rate on bank profits in Jordan is 38%, and the statutory income tax rate in the countries in which the bank has investments ranges between 15% - 24%.

(25) Other Liabilities

This item consists of the following:

	2020	2019
	JD	JD
Accrued interest expense	10,830,244	10,937,623
Accrued expenses	3,453,483	3,294,189
Certified cheques	4,715,290	2,525,168
Cheques payable	1,309,806	631,871
Board of directors' remuneration	65,000	65,000
Brokerage payables	19,272,726	9,186,109
Liabilities / derivatives unrealized gain (Note 44)	3,698,004	-
Guarantees	659,326	659,326
Others	7,201,078	7,308,184
Total	**51,204,957**	**34,607,470**

(26) Paid In Capital

The authorized and paid-in-capital amounted to JD 200,000,000 and is divided into shares at a par value of JD 1 per share as of 31 December 2020 and 31 December 2019.

Treasury Shares of Subsidiaries

The National Bank of Iraq bought its shares from a shareholder with a value of 4,377,511 Jordanian dinars, which represents 3.62% of the capital during the year 2020, and this bank has not finished transferring the ownership of these shares in its name or finding another investor to own them, and therefore the bank registered these shares as their shares. Treasury and reducing the property rights of the National Bank of Iraq by the value of treasury shares and their impact on the consolidated financial statements of the group. The management of the bank believes that it will be able to dispose of it during the year 2021.

(27) Cash Dividends and Proposed Cash Dividends

Based on the announcement No. 1/1/4693, made by The Central Bank of Jordan in its meeting held on 9 April 2020, a request was made to all Jordanian banks, with the knowledge of the Commission of the General Assembly for Banks in Jordan, to not distribute any cash dividends to shareholders on the results of the banks operations for the year ending 31 December 2019.

The Bank's board of directors, in its meeting held on 28 January 2021 No. 01/2021, approved the distribution of cash dividends at a value of 12% of the subscribed group paid-up capital, and is subject to the approval of the Central Bank of Jordan and the Public Authority of Shareholders.

(28) Reserves

Statutory Reserve

As required by the Law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders according to the banking and company laws.

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
	JD	
Statutory reserve	44,186,425	Companies Law and Banks law

(29) Foreign currency translation adjustments

The foreign currency translation differences represents the exchange differences resulted from translation of the net assets of the National Bank of Iraq upon the consolidation of the financial statements.

	2020	2019
	JD	JD
Balance at the beginning of the year	(5,223,143)	(5,223,143)
Net movement	(11,317,694)	-
Balance at the end of the year	**(16,540,837)**	**(5,223,143)**

(30) Fair value reserve

	Financial assets at fair value through other comprehensive income
	JD
Balance at the beginning of the year	1,636,797
Unrealized losses from debt instruments	2,876,087
Realized gain (loss) of sale of debt instruments at fair value through other comprehensive income transferred to income	(1,070,702)
Unrealized gain from equity instruments	101,375
Gains from sale of equity instruments through other comprehensive income	279,515
Deferred tax assets	114,313
Deferred tax liabilities	(269,388)
Differences from foreign currency translations	(48,968)
Balance at the end of the Year	**3,619,029**
31 December 2019	**JD**
Balance at the beginning of the year	20,961
Unrealized losses from debt instruments	2,899,751
Realized gain (loss) of sale of debt instruments at fair value through other comprehensive income transferred to income	(608,362)
Unrealized gain from equity instruments	490,387
Realized gain on sale of equity instruments at fair value through other comprehensive income transferred to retained earnings	(403,350)
Deferred tax assets	(365,453)
Deferred tax liabilities	(397,137)
Balance at the end of the Year	**1,636,797**

(31) Material partially – owned subsidiaries

First: Proportion of equity interest held by non-controlling interests is as follows:

31 December 2020	Country	Nature of activity	Non-controlling interest ownership percentage	Non controlling interest share of dividends distributed
National Bank of Iraq	Iraq	Banking	38.15%	-
31 December 2019				
National Bank of Iraq	Iraq	Banking	38.15%	-

Second: The following is the summarized financial information of these subsidiaries, this information is based on amounts before inter-company eliminations.

A. Summarized statement of financial position before elimination entries as of :

	31 December 2020	31 December 2019
	National Bank of Iraq	National Bank of Iraq
	JD	JD
Cash, balances and deposits	214,288,827	211,723,941
Financial assets through income statement	-	3,513
Financial assets through OCI	34,847,369	22,464,414
Credit facilities, net	154,231,487	101,837,985
Financial assets at amortized cost	-	12,453,583
Other assets	30,390,123	29,527,873
Total assets	**433,757,806**	**378,011,309**
Banks, customers deposits' and margin accounts	239,218,270	202,130,044
Loans & borrowings	32,198,834	10,154,101
Provisions and other liabilities	16,763,939	16,270,096
Total liabilities	**288,181,043**	**228,554,241**
Shareholders' equity	145,576,763	149,457,068
Total liabilities and shareholders' equity	**433,757,806**	**378,011,309**
Non-Controlling interest	**48,324,233**	**53,749,580**

B. Summarized statement of comprehensive income before elimination entries as of:

	31 December 2020	31 December 2019
	National Bank of Iraq	National Bank of Iraq
	JD	JD
Interest and commission income, net	24,656,741	18,460,834
Other income	7,102,253	4,225,618
Total Income	**31,758,994**	**22,686,452**
General and administrative expenses	14,361,473	11,638,820
Provisions	3,199,130	974,782
Total expenses	**17,560,603**	**12,613,602**
Profit before tax	14,198,391	10,072,850
Income tax	2,806,520	1,372,234
Profit after tax	**11,391,871**	**8,700,617**
Other comprehensive income	16,009,632	126,084
Total comprehensive income for the year	**27,401,503**	**8,826,701**
Non-Controlling interest	**(3,755,327)**	**3,727,896**

C. Summarized cash flow for National Bank of Iraq:

	31 December 2020	31 December 2019
	National Bank of Iraq	National Bank of Iraq
	JD	JD
Cash flows		
Operating	20,149,733	15,589,684
Investing	(9,407,630)	(24,105,638)
Financing	18,921,937	(713,112)
Net increase/(Decrease)	**29,664,040**	**(9,229,066)**

(32) Retained Earnings

	2020 JD
Balance at 1 January 2020 (as previously stated)	55,404,849
Loss on sale of financial assets through other comprehensive income	(279,515)
Transferred to reserves	(2,984,934)
Profit at end of year	25,956,079
Balance at the end of the year	**78,096,479**
	2019 JD
Balance at 1 January 2019 (as previously stated)	52,694,717
Impairment losses on assets as a result of application of IFRS 16	(180,707)
Balance as at 1 January 2019 (restated)	**52,514,010**
Gain on sale of financial assets through other comprehensive income	403,350
Transferred to reserves	(2,613,347)
Distributed dividends	(20,000,000)
Profit at end of year	25,100,836
Balance at the end of the year	**55,404,849**

- The balance of retained earnings includes a restricted amount of JD 15,562,847 as at 31 December 2020 against JD 14,845,952 as at 31 December 2019 which represents the deferred tax assets that cannot be utilized according to the Central Bank of Jordan Regulations.
- The balance of retained earnings includes unrealized gain of JD 962,559 as at 31 December 2020 against JD 927,971 as at 31 December 2019 which represents the effect of early adoption of IFRS (9) related to classification and measurement. However, this amount is restricted from use except for the amounts that become realized regulations according to Securities and Exchange Commission.
- Amount equal to the negative balance of a fair value reserve is considered a restricted reserve that cannot be utilized.
- Gains from revaluation of financial assets at fair value through income statement amounted to JD 12,405 as at 31 December 2020 against JD 12,405 as at 31 December 2019 is restricted from utilization, according to the Security and Exchange Commission regulations.
- The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan. Regarding the implementation of IFRS 9 the Central Bank of Jordan issued Circular No.10/1/1359 on 25 January 2018 , allowing banks to transfer the balance of general banking risk reserve to retained earnings to reflect the impact of IFRS 9 on the opening balance of retained earnings as at 1 January 2018. The Circular also stipulates that the balance of a general bank risk reserve item is a restricted balance. Dividends may not be distributed as dividends to shareholders and may not be used for any other purpose except with the approval of the Central Bank of Jordan. The unutilized balance amounted to JD 8,840,593.

(33) Interest Income

This item consists of the following:

	2020	2019
	JD	JD
Direct Credit Facilities:-		
Retail		
Overdrafts	1,146,772	1,013,672
Loans and bills	11,026,555	8,042,699
Credit cards	1,041,502	774,101
Real estate mortgages	**9,764,398**	**11,456,396**
Corporate		
Overdrafts	10,139,406	7,800,654
Loans and bills	41,467,185	30,036,312
Small and medium enterprises (SMEs)		
Overdrafts	2,594,407	3,406,431
Loans and bills	12,064,112	13,784,275
Government and public sectors	**2,877,171**	**2,577,745**
Balances at central banks	28,162	312,052
Balances at banks and financial institutions	1,625,561	402,414
Financial assets at fair value through other comprehensive income - debt instruments	3,417,107	2,648,827
Interest on pledged financial assets	1,963,526	2,973,300
Financial assets at amortized cost	30,103,010	28,200,425
Loans and advances at fair value through other comprehensive income	1,027,164	1,296,584
Total	**130,286,038**	**114,725,887**

(34) Interest Expense

The details are as follow:

	2020	2019
	JD	JD
Banks and financial institutions deposits	4,020,107	2,346,256
Customers' deposits :		
Current accounts and deposits	982,747	2,165,525
Saving deposits	755,761	
Time and notice deposits	40,355,243	40,886,929
Certificates of deposits	4,131,202	4,465,466
Interest on leased asset obligations	246,839	191,903
Margin accounts	1,122,585	1,046,821
Loans and borrowings	8,096,014	6,575,196
Deposits guarantee fees	1,505,504	1,467,687
Total	**61,216,002**	**59,831,061**

(35) Net Commission Income

The details are as follow:

	2020	2019
	JD	JD
Commission income:		
Direct credit facilities	3,069,398	3,284,657
Indirect credit facilities	12,550,747	15,032,056
Other commission	11,991,865	8,537,945
Less: Commission expense	(3,198,108)	(1,808,679)
Net Commission Income	**24,413,902**	**25,045,979**

(36) Gain From Foreign Currencies

The details are as follow:

	2020	2019
	JD	JD
Revaluation of foreign currencies	5,253,774	(213,141)
Revaluation trading in foreign currencies	6,394,255	2,754,253
Total	**11,648,029**	**2,541,112**

(37) Gain (loss) from financial assets at fair value through income statement

The details are as follow:

31 December 2020	Realized Gain(loss)	Unrealized loss	Dividends income	Total
	JD	JD	JD	JD
Equity shares	-	-	-	-
Total	**-**	**-**	**-**	**-**
31 December 2019	**Realized Gain(loss)**	**Unrealized loss**	**Dividends income**	**Total**
	JD	**JD**	**JD**	**JD**
Equity shares	139,429	(12,405)	178,523	305,547
Total	**139,429**	**(12,405)**	**178,523**	**305,547**

(38) Other Income

The details are as follow:

	2020	2019
	JD	JD
Recovery from written - off debts	341,685	3,014,526
Income from loans at fair value through income statement	-	2,481,500
Income and commission from investments and securities	2,620,255	1,864,785
Collection against auction price swaps *	615,369	2,013,688
Others	647,385	660,631
Total	**4,224,694**	**10,035,130**

* Based on the instructions of the Central Bank of Iraq, the amount JD 615,369 was collected from National Bank of Iraq customers which represents the differences imposed by the Central Bank of Iraq during 2020, compared to JD 2,013,688 during 2019.

(39) Employees' Expenses

The details are as follow:

	2020	2019
	JD	JD
Salaries and benefits	17,740,183	19,497,054
Bank's contribution in social security	2,039,827	1,969,192
Medical expenses	1,209,446	1,207,930
Employees' training	172,090	456,390
Paid vacations	178,868	232,796
Bank's contribution to social activities fund	15,292	38,528
Others	152,754	91,054
Total	**21,508,460**	**23,492,944**

(40) Other Expenses

The details are as follow:

	2020	2019
	JD	JD
Rent and building services	2,609,148	3,067,675
Advertisement	2,866,677	2,586,582
Computer expenses	2,569,948	2,268,309
Consulting and professional fees	2,600,211	2,186,641
Internet	999,596	910,909
Subscriptions	412,715	881,747
Board of Directors' transportation	1,477,596	875,825
Maintenance	773,732	845,695
Post, telephone, swift	713,989	681,863
Travel and transportation	300,812	602,799
Donations	499,378	549,524
Subscriptions, fees and licenses	454,307	535,253
Security services	724,709	463,414
Operational Loss	32,980	33,956
Insurance	606,568	371,492
Stationary and printing	331,459	315,954
Cash transportation services	295,835	259,239
Reuters' and Bloomberg subscription expense	244,612	148,217
Board of directors' remuneration	110,211	133,000
Hospitality	71,805	124,336
Others	248,876	249,367
Total	**18,945,164**	**18,091,797**

(41) Earnings Per Share

Basic earnings per share:

The details are as follow:

	2020	2019
	JD	JD
Profit for the period attributable to Bank's shareholders	25,956,079	25,100,836
Weighted average number of shares during the period	200,000,000	200,000,000
	JD / Fils	JD / Fils
Basic and diluted earnings per share	0.130	0.126

- The basic earning per share is equivalent to the diluted earning per share, since the bank did not issue any convertible financial instruments.

(42) Fair Value of Financial Assets not Presented at Fair Value in the Financial Statements

	31 December 2020		31 December 2019	
	Book value	Fair value	Book value	Fair value
	JD	JD	JD	JD
Financial assets at amortized cost	563,884,457	598,429,335	482,827,092	508,024,751
Direct credit facilities, net	1,302,958,951	1,302,958,951	983,024,041	985,505,541
Pledged financial assets	25,330,821	26,456,371	47,490,484	51,501,136

(43) Cash and Cash Equivalents

The details are as follow:

	2020	2019
	JD	JD
Cash and balances with central banks maturing within 3 months	264,660,799	176,426,239
Add: Balances at banks and financial institutions maturing within 3 months	142,537,265	98,268,335
Less: Banks and financial institutions' deposits maturing within 3 months	(138,058,853)	(108,793,443)
Less: Restricted cash balances (Note 6)	(6,106,562)	(1,172,215)
Total	**263,032,649**	**164,728,916**

(44) Derivative financial instruments

The table below shows the details of derivative financial instruments at the end of the year.

2020			Par (nominal) value maturity		
	Positive fair value	Negative fair value	Total nominal amount	Within 3 months	3-12 months
	JD	JD	JD	JD	JD
Currency sale contract	190,368	-	16,484,676	15,717,241	767,435
Currency purchases contract	-	-	16,714,108	15,946,673	767,435
Currency swaps contracts	420,495	-	77,959,137	37,645,122	40,314,015
Interest swap contracts	-	3,698,004	106,350,000	-	106,350,000
2019					
Currency sale contract	8,538	-	54,738,226	53,993,776	744,450
Currency purchases contract	-	-	54,746,764	54,002,314	744,450
Currency swaps contracts	668,188	-	83,458,555	56,504,680	26,953,875
Interest swap contracts	-	-	106,350,000	-	106,350,000

The par (nominal) value indicates the value of the outstanding transactions at year end and does not indicate market risk or credit risk.

(45) Related Parties Transactions

The consolidated financial statements of the Bank include the following subsidiaries:

	Ownership		Paid in capital	
	2020	2019	2020	2019
	%	%	JD	JD
Capital Investment and Brokerage Company	100%	100%	10,000,000	10,000,000
National Bank of Iraq	61.85%	61.85%	86,739,856	86,739,856
Bahrain Investment Fund Company	100%	100%	1,888	1,888
Capital Investment (DIFC) Limited	100%	100%	177,250	177,250

The Bank has entered into transactions with subsidiaries, Shareholders, directors and senior management within the normal activities of the Bank and using commercial interest rates and commissions.

The following related parties transactions took place during the year:

	Related party				Total	
	BOD members	Executive management	Subsidiaries*	Major Shareholders	2020	2019
	JD	JD	JD	JD	JD	JD
Statement of financial position items:						
Bank deposits with related parties	-	-	-	-	-	-
Bank deposits	111,049,732	338,695	11,756,137	91,651	123,236,215	117,872,374
Margin accounts	26,487	14,638	70,428,460	300	70,469,885	77,499,583
Direct credit facilities	29,467,873	1,466,857	1,378	2,976,272	33,912,380	28,778,839
Direct credit facilities - watch list	4,263,872	-	-	-	4,263,872	1,922,332
Off-balance sheet items:						
Indirect credit facilities	7,356,435	1,000	70,898,398	300	78,256,133	87,267,209
Statement of income items:						
Interest and commission income	2,228,996	87,323	3,833,333	145,880	6,295,532	3,947,376
Interest and commission expense	5,225,018	19,586	286,877	76	5,531,557	5,910,443

* The effect of balances and movements with affiliate companies for purposes of consolidating financial tatements.

- Interest rates on credit facilities in Jordanian Dinar range between 2.00% - 15.00%
- Interest rates on credit facilities in foreign currency range between 3.75% - 15.00%
- Interest rates on deposits in Jordanian Dinar range between 0.25% - 5.50%.
- Interest rates on deposits in foreign currency between 0.00% - 0.25%.

Compensation of the key management personnel benefits for the bank and its subsidiaries as follows:

	2020	2019
	JD	JD
Benefits (Salaries, wages, and bonuses) of executive management for the Group	3,424,180	3,198,167
Total	**3,424,180**	**3,198,167**

(46) Fair Value of Financial Instruments

Financial instruments include cash balances, deposits at banks and the Central Bank of Jordan, direct credit facilities, other financial assets, customers' deposits, banks deposits and other financial liabilities.

There are no material differences between the fair value of financial instruments and their book value.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques by which all inputs significantly effect the recorded fair value may be observed, either directly or indirectly from market information.
Level 3: Other techniques using inputs significantly effecting the recorded fair values; which are not based on observable market data.

The following table shows the breakdown of the financial instruments at fair value and according to the above hierarchy:

2020	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
Financial assets–				
Financial assets at fair value through other comprehensive income	72,832,611	16,744,523	-	89,577,134
Loans and advances at fair value through income statement	-	112,529,504	-	112,529,504
Derivative instruments (Note 16)	-	-	610,863	610,863
Mortgaged Assets	-	7,268,800	-	7,268,800
Financial Liabilities				
Derivative instruments (Note 25)	-	3,698,004	-	3,698,004
2019				
Financial assets-				
Financial assets at fair value through income statement	3,041,947	12,865	-	3,054,812
Financial assets at fair value through other comprehensive income	35,804,758	25,746,062	-	61,550,820
Financial Liabilities				
Loans and advances at fair value through income statement	-	108,831,500	-	108,831,500
Derivative instruments (Note 16)	-	-	676,726	676,726

(47) Risk Management Policies

The Bank follows a comprehensive strategy aimed at maintaining the best practices in risk management relating to (Credit Risk, Operational Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Concentration Risk, Information Security Risk, in addition to Other types of risk) in order to maintain the financial position and profitability of the Bank.

The process of identifying, managing, and mitigating risk, as well as complying with the instructions of regulatory authorities and The Basel Committee is considered an overall shared responsibility throughout the bank. These tasks are carried out by several entities within the Bank; beginning with the Board of Directors and its committees, such as the Risk Committee, the Audit Committee, the Compliance Committee, in addition to other internal committees within the Bank such as the Internal Risk Management Committee, Assets and Liabilities Committee, the various Credit Committees, in addition to all of the Bank's branches and departments.

As an independent and specialized department in the Bank, the Risk Management Department focuses its efforts in accordance with its approved policies, in identifying the existing and potential threats (Financial & Non-Financial). The Risk Management Department designs methods that help in measuring and dealing with such threats and report them to the relevant parties on a regular basis, as well as adapting and complying with instructions set by CBJ and Basel Committee, and keeping up with the best practices in relation to measuring and managing risk.

The Risk Management Department also participates in evaluating the Bank's Capital Adequacy as well as its effectiveness in employing this capital in order to achieve its strategic goals, and determine the requirements needed to manage and control the strategy related risks.

Furthermore, the Risk Management Department at the Bank operates within the general principles and corporate governance code which are consistent with the regulator's instructions, international best practices in relation to the Bank's size, volume of its activities, and complexity of its operations. These principles are as follows:

1. The Board of Directors and its risk committee both review and approve the Bank's Risk Appetite for potential losses associated with the various risk factors, as well as review and approve the Risk Management Policies in order to ensure that these policies keep up with all developments in the banking industry in terms of growing its operations and expansion of its services. In addition the Board of Directors ensures that the Bank's strategies are being implemented in relation to the bank's risk management.
2. The Chief Executive Officer is considered the primary responsible person for implementing risk management recommendations in accordance to the principles of Board of Directors and the Risk Committee. He is also the head of the Internal Risk Management Committee.
3. The Chief Risk Officer is responsible for managing risks and the associated practices within the bank's activities structure, and submitting periodic reports to the risk management committee emanating from the Board of Directors.
4. The risk management philosophy at the Bank is based on knowledge, experience ,the judgment capability of the supervisory management , and the availability of a clear authority matrix set by the Board of Directors.
5. Continuously developing the risk management systems and taking on the necessary steps and measures needed to make sure that the Bank is in compliance with the new international standards, namely the requirements of Basel III and IFRS 9.

6. The Risk Department manages the Bank’s risks according to a comprehensive centralized methodology, with the presence of systems that assist in managing these risks, and by providing various business units at the Bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Department, which is headed by the Chief Risk Officer, is linked to the Board’s Risk Management Committee. There is also a direct link that connects the Chief Risk Officer with the Chief Executive Officer.
7. Risk management is the responsibility of all employees.
8. The role of the Assets and Liabilities Committee is in planning the optimal deployment and allocation of capital, assets and liabilities and the continuous monitoring of liquidity and market risks.
9. The Internal Audit Department provides an independent assurance on the compliance of the Bank’s business units with the risk management policies and procedures, and the effectiveness of the Bank’s risk management framework.
10. The Chief Financial Officer (CFO) is responsible for identifying the financial risks, as well as monitoring and maintaining the quality and soundness of financial information, and ensuring the accuracy and integrity of the disclosed financial statements.
11. The Chief Compliance Officer is responsible for ensuring that the Bank complies with all the relevant regulations, legislation and laws, especially those issued by the regulatory authorities.

During 2020 the Bank has worked on several primary principles in risk management, mainly on the following:
1. Update the criteria for classification and calculation of expected credit losses to be in line with the circumstances of the Corona pandemic
2. Update the limits of acceptable risks in the bank (Risk Appetite)
3. Preparing the internal capital adequacy assessment process (ICAAP) and stress testing
4. Preparing to implement the updated credit rating system (CreditLens)
5. Strengthening control over the bank’s investment portfolios using statistical means and by subjecting portfolios to stressful scenarios and assessing their impact on the bank’s profitability
6. Strengthening control over financial derivatives and the market risks involved, using multiple methodologies such as the Monte Carlo approach and the historical approach
7. Conducting live liquidity stress tests to assess the bank’s ability to face stressful conditions
8. Implementing a new treasury system that would enhance the middle office’s efficiency in overseeing treasury operations
9. Obtaining the updated PCI DSS certificate for the bank and the National Bank of Iraq
10. Implement the COBIT framework for information security
11. Implement some systems related to information security such as Data Leakage Prevention
12. Perform multiple security checks for bank applications and internal external network
13. Direct application of the basic indicator method and the standard method for measuring the operational risk in the bank
14. Activate the use of key risk indicators
15. Implementing the 2019 COBIT framework for information security, operational risk management and business continuity
16. Preparing a protocol to deal with the Corona pandemic and re-evaluating business continuity plans
17. Developing a comprehensive business impact analysis model for all bank departments
18. Creating a clear working methodology for evaluating the bank’s operating and new systems
19. Examination of the bank’s DR site
20. Examine the communication tree for all departments and branches of the bank and its subsidiaries and update their work procedures

21. Training of the employees of the risk department at the National Bank of Iraq on the system for operational risks
22. Completing work centers on the system for operational risk, where the process of inspecting controls over all work centers is carried out
23. The review and approval of all business policies and procedures of the Risk Department has been completed, and a new fraud policy has been introduced for the money company
24. Completion of updating and upgrading the system for operational risks

For the year 2020, the Bank is planning to work on several primary principles in risk management, mainly on the following:

1. Implementing the new updated credit rating system (CreditLens)
2. Create and program an automated system for risk management business
3. Completing the implementation of an automated system project for calculating expected credit losses according to IFRS 9 standard for the Iraqi National Bank
4. Preparing a matrix to follow up the most important economic developments at the local level
5. Preparing for an updated PCI DSS certification for the bank and Al Ahli Bank of Iraq
6. Implementing security controls related to the SWIFT system according to standards and requirements
7. Implement a security information management system
8. Cybersecurity program application
9. Implement the COBIT framework for information security
10. Developing and linking key risk indicators to the bank's automated systems
11. Initiate an assessment of operational risks across the bank's operations
12. Reviewing and updating the CRSA
13. Create a database to track external operational events
14. Staff training and awareness raising on the culture of operational risk, fraud risk and business continuity plan
15. Update business continuity policies and procedures
16. Creating a comprehensive business continuity plan for the bank
17. Evaluating the bank's operating and new systems, based on the methodology that was approved during 2020
18. Examination of the bank's DR site
19. Examine the communication tree for all departments, branches of the bank and subsidiaries
20. Periodic review of approved work procedures and policies according to the procedures classification list

(47-1-A) Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Group's customers fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debts instruments, derivatives as well as settlement balances with market counterparties.

Credit risk is the single largest risk from the Group's business of extending Loans and Advances (including loan commitments, LCs and LGs) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralized in a risk management department which reports regularly to the Risk Management Committee.

The Bank generally manages Credit Risk through:
- A clear and comprehensive policy for managing credit risk in addition to approved credit policies.
- Setting clear and specific limits for credit risks level that are set by the Board of Directors and then circulated to the different business units.
- Adopting the concept of credit committees to ensure that the credit decisions are not made on individual or subjective basis.
- Having a clear criteria for selecting clients, the target market and the acceptable level of credit.
- A comprehensive and thorough financial and credit analysis covering the various aspects of risk for each clients and/or credit processes.
- The results of Moody's Credit Rating System in determining each client's risk classification.
- Reviewing and analyzing the quality of the credit portfolio periodically, according to specific performance indicators.
- Evaluating and monitoring constantly to avoid high credit concentration, and implementing the required remedial actions.
- Adopting early warning indicators and recognition of possible risks in the credit portfolio while revising them on a regular basis.
- Effective management and follow up of the preservation of the legal documentation process and collateral administration to ensure that there are no negative indicators or regress that may necessitate the undertaking of pre-emptive or safety actions.
- Periodical revision, or when necessary, of all extended credit facilities on individual basis to ensure that there are no negative indicators or regress that necessitate the undertaking of pre-emptive or safety actions.

Key Credit Risk Management Methods:

1– Loans and advances (including loan commitments, LCs and LGs)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using the concept of Expected Loss which requires the following measures:
-Probability of Default (PD)
-Loss Given Default (LGD)
-Exposure at Default (EAD)

Under IFRS 9 expected loss is replaced by expected Credit Loss (ECL), which is based on macro adjusted PD, LGD & EAD measures. Additionally it also captures deterioration and lifetime likelihood of defaults.

2– Credit risk grading

In accordance with the Credit Risk Management Principle, the availability of an internal credit rating system for customers is an essential element in the process of measuring credit risk, assessing the quality of the credit portfolio and determining its credit risk structure.

The international credit rating system "Moodys"has been applied to the Bank and its subsidaries since 2013, 2017 and 2018 respectively. The system has assisted the Bank with;

Measuring customer risk scores, and improved the process of collecting and evaluating quantitative and qualitative information that can be relied upon in the risk measurement methodology

Collecting and analyzing historical and projected financial data in order to analyze the historical and expected financial performance and cash flows of customers, in addition to performing Sensitivity Analysis based on many factors and expected strategies.

The process of monitoring the terms and financial covenants is contained in loan agreements.
Conducting analysis of the economic sectors and comparisons of the financial statements of clients of similar companies in the same sector based on the available system database

The system is based on two dimensions (two dimensions) first: the customer risk (Obligor Risk Rating), which reflects the degree of credit capacity of the customer independently of the guarantees provided, and is linked to the probability of default (PD%), the second: Facility risk and calculation of loss upon default (LGD%) and credit exposure upon default (EAD), using a set of rating models that reflect the nature and activities of the bank's customers, as follows:

Country Scorecard Model	SMEs Programmed Lending Model	Corporate Rating Model
High Net Worth Individual Model	Retail Scorecard Model	SMEs Financial Model
Project Finance Model	Financial Institutions Scorecard Model	SMEs Non-Financial Model

The output of the (Moody's) rating system are translated into various grades of risk that distinguish between customers on the basis of their credit risk. Institutional customer have 10 risk scores / 20 sub-grades, retail customers have 6 risk scores, while financial institutions and countries have 8 scores.

For corporate customer, the model evaluates from a finanical and non-financial aspect as follows:

Financial evaluation: which is based on an analysis of clients' financial statements, and includes:
- Financial Ratios relating to Operations
- Liquidity ratios
- Financial ratios related to the capital structure
- Debt Service Ratios
- Non-financial evaluation: which depends on qualitative factors about the customer, and includes:
- Industry risks
- Management quality
- Experience and customer experience in his activity and dealing with banks (Company Standing)

On the other hand, the system uses the Scorecard methodology in some of the classification models used, such as the classification models for individual customers, financial institutions, countries and governments, which include evaluation of various financial and non-financial factors in line with the nature of each of them.

The Group use specific internal rating models tailored to the various industry segments/counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data input into the model.

The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is higher than the difference in the PD between a 3 and 5 rating grade.

The Risk Rating system for performing assets ranges from 1 to 10, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated 6, 7, 8, 9, and 10 corresponding to NAUR (Non-accrual under Restructuring), Substandard, Doubtful, Loss classifications and Write-off.

These risk ratings have been mapped into 8 Grades which are defined below:

<table>
<tr><th>Stage</th><th>CB Grade</th><th>Description</th></tr>
<tr><td rowspan="5">1</td><td>1</td><td rowspan="4">FI rated 1, 2, 3, and 4 possess superior intrinsic financial strength. Typically, they will be institutions with highly valuable and defensible business franchises, strong financial fundamentals, and a very predictable and stable operating environment.</td></tr>
<tr><td>2</td></tr>
<tr><td>3</td></tr>
<tr><td>4</td></tr>
<tr><td>5</td><td>FI rated 5 possess strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals, and a predictable and stable operating environment.</td></tr>
<tr><td rowspan="2">2</td><td>6</td><td>FI rated 6 possess adequate intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These FI will display either acceptable financial fundamentals within a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment.</td></tr>
<tr><td>7</td><td>FI rated 7 display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.</td></tr>
<tr><td>3</td><td>8</td><td>FI rated 8 display very modest intrinsic financial strength, with a higher likelihood of periodic outside support or an eventual need for outside assistance. Such institutions may be limited by one or more of the following factors: a weak and limited business franchise; financial fundamentals that are materially deficient in one or more respects; or a highly unpredictable or unstable operating environment.</td></tr>
</table>

Ineternal Credit rating for corporate and SMEs:

Stage	CB Grade	Description
1	1	Obligations rated 1 are judged to be of the highest quality, and carry the lowest level of credit risk.
2	2	Obligations rated 2 are judged to be of high quality and very low credit risk.
	3	Obligations rated 3 are judged to be upper-medium grade and carry a low credit risk.
	4	Obligations rated 4 are judged to be medium-grade and carry a Low to moderate credit risk and as such may possess certain speculative characteristics.
	5	Obligations rated 5 are judged to be speculative and carry a moderate credit risk.
	6	Obligations rated 6 are considered speculative with a moderate to High credit risk.
	7	Obligations rated 7 are judged to be speculative of poor standing and carry a very high credit risk.
3	8	Obligations rated 8 are highly speculative and are likely for PDs, with some prospect of recovery of principal and interest/yield.
	9	Obligations rated 9 are the lowest rated and are typically in default, with no prospect for recovery of principal or interest/yield.
	10	Obligations rated 10 are in default, with little prospect for full recovery of principal or interest/ yield.

Ineternal credit rating for retail and real estate:

Stage	CB Grade	Description
1	A	Obligations rated A are judged to be of the highest quality, and carry the lowest level of credit risk.
	B	Obligations rated B are judged to be of high quality and low credit risk.
	C	Obligations rated C are judged to be upper-medium grade and carry a low credit risk.
2	D	Obligations rated D are judged to be speculative and carry a moderate credit risk.
	E	Obligations rated E are judged to be speculative of poor standing and carry a very high credit risk.
3	F	Obligations rated F are in default, with little prospect for full recovery of principal or interest/ yield.

3– Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition of a facility as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The identification of SICR is measured via a change in one year probability of default between the date of inception of facility and the date of IFRS 9 ECL run.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).
- All government and government-guaranteed financial instruments have been taken into account in the calculation of total expected credit losses.

4– Significant increase in credit risk (SICR)

The Group considers a financial asset to have experienced a significant increase in credit risk when a significant change in one year probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date.

Quantitative criteria

Corporate loans:

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:

- Operating Performance
- Operating Efficiency
- Debt Service
- Liquidity Assessment
- Capital structure

Retail:

For Retail portfolio, if the borrowers meet one or more of the following criteria:

• Adverse findings for an account/ borrower as per credit department data;
• Loan rescheduling before 30 Days Past Due (DPD);
• Accounts overdue between 40 and 90 days

Treasury:

• Significant increase in probability of default of the underlying treasury instrument;

• Significant change in the investment's expected performance & behavior of borrower (collateral value, payment holiday, payment to income ratio etc.).

Qualitative criteria:

Corporate Loans

For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following Default Risk Indicator's (DRI):

- Past Due
- Net Worth Erosion
- Fraudulent Activity
- Mandatory Restructure
- Financial Covenants Breach
- Significant Operations Disruption

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following qualitative factors:

- Management
- Industry Outlook
- Financial Conduct
- Income Stability
- Lifecycle Stage
- Auditor Information

The Group has not used the low credit exemption for any financial instruments in the year ended 31 December 2018.

Backstop:

If the borrower is more than 30 days past due on its contractual payments a backstop is applied and the financial asset is considered to have experienced a significant increase in credit risk.

5- Definition of default and credit-impaired assets

The Group defines a financial corporate, retail and investment instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

– Qualitative criteria:
According to the Basel definition, default is considered to have occurred with regard to particular obligors when either one of the following events have taken place:
- The Bank considers that the obligor is unlikely to pay its credit obligation to the Group in full without recourse by the Bank to actions like realizing security (if held).
- The Bank puts the credit obligation on a non-accrued status.
- The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
- The Bank sells the credit obligation at a material credit-related economic loss.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
- The Bank has filed for the obligor’s bankruptcy or similar order in respect of the obligor’s credit obligation to the Banking Group.
- The obligor is past due more than 90 days on any material credit obligation to the Banking Group.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the Group’s expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

The Bank applies a three-stage approach to measuring ECL on financial instruments accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

1) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

2) Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

3) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. This uses the same criteria as under IAS 39, the Bank’s methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

6– Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Group has adopted a forward exposure method for computing the ECL for each facility. The bank has opted for a monthly granular computation of PD, EAD and LGD.

– Probability of default (PD):

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Below is the PD matrix for Corporate and SMEs customers :

Risk /Rating	Low Risk	Low to Medium Risk	Medium Risk	Medium to High Risk	High Risk
1	0.06%	0.08%	0.11%	0.23%	0.36%
2+	0.07%	0.10%	0.14%	0.29%	0.46%
2	0.09%	0.13%	0.18%	0.37%	0.58%
2-	0.11%	0.16%	0.22%	0.47%	0.73%
3+	0.15%	0.20%	0.28%	0.60%	0.93%
3	0.19%	0.25%	0.36%	0.76%	1.17%
3-	0.24%	0.32%	0.45%	0.96%	1.48%
4+	0.30%	0.41%	0.58%	1.22%	1.87%
4	0.38%	0.51%	0.73%	1.53%	2.35%
4-	0.48%	0.65%	0.91%	1.93%	2.97%
5+	0.61%	0.82%	1.16%	2.44%	3.73%
5	0.77%	1.04%	1.47%	3.08%	4.69%
5-	0.97%	1.32%	1.85%	3.87%	5.87%
6+	1.23%	1.67%	2.34%	4.86%	7.33%
6	1.55%	2.10%	2.94%	6.09%	9.13%
6-	1.95%	2.65%	3.70%	7.61%	11.32%
7	2.46%	3.34%	6.99%	9.48%	13.97%
8	3.10%	4.19%	8.75%	11.75%	17.14%
9	3.91%	5.26%	10.94%	14.50%	20.87%
10	100.00%	100.00%	100.00%	100.00%	100.00%

Below is the PD matrix for retail and real estate customers :

Risk /Rating	PD Upside	PD Base case	PD down side	WA PD
A	0.03%	0.04%	0.05%	0.05%
B	0.12%	0.14%	0.18%	0.18%
C	0.51%	0.61%	0.77%	0.76%
D	2.25%	2.70%	3.38%	3.38%
E	9.29%	11.15%	13.94%	13.94%
F	100.00%	100.00%	100.00%	100.00%

Below is the PD matrix for financial assets at amortized cost and at fair value through other comprehensive income:

Risk /Rating	Medium Risk
AAA	0.11%
AA+	0.14%
AA	0.18%
AA-	0.22%
A+	0.28%
A	0.36%
A-	0.45%
BBB+	0.58%
BBB	0.73%
BBB-	0.91%
BB+	1.16%
BB	1.47%
BB-	1.85%
B+	2.34%
B	2.94%
B-	3.70%
CCC	6.99%
CC	8.75%
C	10.94%
D	100.00%

– Loss given default (LGD):

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. The Bank estimates the following haircuts for its main collaterals:

Collateral Type	LGD%
Cash Margin, Government Guaranteed, Qualified Banking Guarantees, Other external qualified guarantors	0%
Stocks and financial Assets	25%
Real Estate	30%
Cars	52%
Machines	61%

– Exposure at default (EAD):

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

The Group has implemented a risk rating model since 2014 which has enabled the Bank to collect historical risk ratings since 2014 and build point in time credit transition matrices for the last 12 years.

This has enabled the bank to derive a credit index using the historical transition matrices. The credit index correlates with specific macro-economic factors, which have been statistically, established through regression models.

These models were used to forecast future credit transitions using Moody's research macro-economic forecast under the IFRS 9 scenarios i.e. upwards and downwards.

- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.
- For amortizing products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month period or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining committed limit by the time of default.

The Group has adopted a workout methodology for LGD computation. For the Corporate segment, the Bank has developed the LGD framework using more than 10 years of data.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD.
- There have been no significant changes in estimation techniques or significant assumptions made during the year.

7– Importance of staging criteria

- Staging is based on the assessment of relative movement in the credit quality of the loans from the time of initial recording.
- Loans in stage 3 are those loans for which the bank has objective evidence of impairment. Accordingly, specific provision is recorded for such exposures.
- Stage transfer is triggered by assessing the relative change in credit risk (measured using lifetime risk of default) and not by the absolute credit risk at the reporting date.
- 40 days past due is the last resort.

Bank management's main definition and criteria for significant increase in credit risk (stage 2) includes the following parameters:

- For exposures (credit facilities) to corporate customers
  - 40 days past due, which is the maximum time allowed during 2020
  - Overdrawn account of more than 30 days
  - Downgrade by 7 notches of the risk rating scale of 20 points.
  - Customer is classified as (7,8,9).
  - Customer is classified under watchlist, restructured, rescheduled.

- For exposures (credit facilities) to retail customers
  - 40 days past due, which is the maximum time allowed during the year 2020.
  - Customer is classified under watchlist, restructured, rescheduled.
  - Customer is classified as (D,E, F) with more than 40 days past due
  - Overdrawn account of more than 30 days

- For exposures (Deposits balances) with banks and financial institutions
  - Current risk rate is 6 or 7

For exposures to (Financial assets) at amortized cost and at fair value through the statement of comprehensive income
- Current risk rate ranges from CCC to C

The Bank's definition and criteria for the significant increase in credit risk (stage 3) include the following criteria:

- For exposures (credit facilities) to corporate customers
  - 90 days past due.
  - Customer is classified as (10).
  - The customer is facing liquidity difficulties
  - Customer is classified under non-performing.

- For exposures (credit facilities) to retail customers
  - 90 days past due.
  - Customer is classified under non-performing
  - Customer is classified as (F) and has more than 90 days past due

* For exposures (Deposits balances) with banks and financial institutions
  - Current risk rate is 8

- For exposures to (Financial assets) at amortized cost and at fair value through the statement of comprehensive income
  - Current risk rate ranges from D

8– Forward looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out of the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment or a long run average growth rate (e.g. GDP) over a period of two to five year). The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

9- Sensitivity analysis

The Group has calculated ECL at an individual financial instrument level, hence does not require any grouping of financial instruments in the process of loss calculation.

The most significant assumptions affecting the ECL allowance in respect of retail and wholesale credit portfolios are as follows:
- Interest rate
- Unemployment
- Inflation

The Group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the key assumptions used to calculate ECL change by a certain percentage. The impact on ECL due to a relative change in the forecasted Gross Domestic Product (GDP) and Gross Fixed Investment Growth (GFIG) rate by +10% / -10% in each of the base, upside and downside scenarios would result respectively in an ECL reduction by JD (1,137,615) and an ECL increase of JD 1,137,615. These changes are applied simultaneously to each probability weighted scenarios used to compute the expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

10- IFRS 9 Governance

This section describes the roles and responsibilities of the Committees and groups, specific to the IFRS 9 process at the Bank.

– BOARD OF DIRECTORS (“BOARD” or “BoD”)

The Board will be responsible for:
- Approving the IFRS 9 Framework, that has been recommended by RMC,
- Ensuring the Bank’s Management is taking the required to comply with the standard
- Maintaining ECL allowances at an appropriate level and to oversee that CBJ has appropriate credit risk practices for assessment and measurement processes, including internal controls in place to consistently determine allowances in accordance with the stated policies and procedures, the applicable accounting framework and relevant supervisory guidance.

The BOD may delegate the responsibility of reviewing the detailed IFRS 9 related policies to the RMC.

– RISK MANAGEMENT COMMITTEE (“RMC”)

The Risk Management Committee will be responsible for:
- Reviewing and recommending the IFRS 9 framework to the BoD,
- Reviewing the implementation of IFRS 9 and ensuring the appropriate steps for compliance,
- Reviewing and approving the periodic disclosures in accordance to the Standard.
- Recommending adjustments to the business models, framework, methodology and policies and procedures

– INTERNAL AUDIT DEPARTMENT (“IAD”)

Internal Audit Department will be responsible for independently:

- Ensure the Bank’s overall compliance with the Standard
- Reviewing the methodology and assumptions to ensure compliance
- Ensure appropriate levels of expected credit losses relative to the Bank’s profile.

– INTERNAL RISK MANAGEMENT COMMITTEE (“IRMC”)

The Internal Risk Management Committee will be responsible for:

- Overlooking and approving the periodic reporting’s according to the standards.
- Making the necessary recommendations to the Risk Committee of the Board of Directors
- Recommending adjustments to the business models, framework, methodology and policies and procedures to the RMC.

– RISK MANAGEMENT DEPARTMENT (“RMD”)

The Chief Risk Officer and his/her respective personnel in the RMD will be responsible for:

- Developing and update the framework and methodology to be implemented by the Bank.
- Creating the expected credit loss models in compliance with the standard.
- Identify the criteria and develop the model to classify stages
- Coordinate between the different departments and units to manage the implementation of IFRS 9.
- Evaluate the impact of the ECL on the capital adequacy ratio.

– FINANCIAL CONTROL DEPARTMENT (“FCD”)

FCD will be responsible for:

- Creating the business models
- Classifying and measuring the financial assets
- Reflecting the IFRS 9 impact on the Bank’s financials.

– CREDIT CONTROL DEPARTMENT

- Identifying the stages of each customer and calculate the expected credit loss for each customer
- Updating customer information for IFRS 9 calculations to comply with the classified stage
- Create required reports

(47-A-1) Expected credit loss for net recovered expenses

Thursday, December 31, 2020	Stage one	Stage two	Stage three	Total
	JD	JD	JD	JD
Balances with banks and financial institutions	(255)	-	67,702	67,447
Debt instruments at fair value through other comprehensive income	(2,703)	-	-	(2,703)
Direct credit facilities at amortized cost	3,295,155	6,263,576	14,090,118	23,648,849
Financial asstes at amortized cost - Debt instruments	(41,315)	31,377	-	(9,938)
Other financial assets measured at amortized cost	33,078	2,184	-	35,262
Letters of guarantee	244,157	184,209	462,958	891,324
Unutilized direct credit limits	181,675	(97,643)	-	84,032
Letters of credit	503,450	(27,352)	-	476,098
Bank acceptances	(483,411)	(161,546)	-	(644,957)
Total	**3,729,831**	**6,194,805**	**14,620,778**	**24,545,414**

Thursday, December 31, 2019	Stage one	Stage two	Stage three	Total
	JD	JD	JD	JD
Cash and balances with the Central Bank	(475,893)	-	-	(475,893)
Balances with banks and financial institutions	255	-	-	255
Debt instruments at fair value through other comprehensive income	(2,394)	-	-	(2,394)
Direct credit facilities at amortized cost	(1,718,122)	1,149,966	8,452,297	7,884,141
Financial asstes at amortized cost - Debt instruments	(80,442)	-	-	(80,442)
Other financial assets measured at amortized cost	588	1,396	-	1,984
Letters of guarantee	(75,804)	13,226	20,145	(42,433)
Unutilized direct credit limits	13,208	48,831	-	62,039
Letters of credit	(669,852)	41,390	-	(628,462)
Bank acceptances	913,867	(622,936)	-	290,931
Total	**(2,094,589)**	**631,873**	**8,472,442**	**7,009,726**

(47–A–2) Credit Risk Exposures

(After impairment provisions and suspended interest and before collateral held or other mitigation factors):

	2020	2019
	JD	JD
Statement of financial position items:		
Balances at Central Banks	227,932,896	156,848,774
Balances at banks and financial institutions	142,576,136	98,268,335
Deposits at banks and financial institutions	-	403,875
Direct credit facilities		
Retail	182,626,662	110,941,186
Real estate	155,769,597	151,173,989
Corporate & SMEs		
Corporate	741,344,490	478,111,017
Small and medium enterprises (SMEs)	172,919,678	200,118,607
Governmental and public sector	60,187,977	49,536,929
Direct credit facilities through income statement	113,546,088	110,128,087
Bonds and treasury bills:		
Financial assets at fair value through other comprehensive income statement	70,701,687	45,390,804
Financial assets at amortized cost	572,078,174	491,087,032
Pledged financial assets	33,238,850	48,404,587
Other assets	34,539,050	30,541,113
Total statement of financial position Items	**2,507,461,285**	**1,970,954,335**
Off – statement of financial position items		
Letters of guarantee	144,679,111	135,868,875
Export Letters of credit	64,422,199	48,218,430
Confirmed Import Letters of credit	23,157,779	1,386,789
Issued acceptances	70,387,661	146,497,351
Unutilized credit facilities	127,664,372	140,142,500
Forward purchase contracts	94,673,245	138,205,319
Forward interest contracts	106,350,000	106,350,000
Total off – statement of financial position items	**631,334,367**	**716,669,264**
Total	**3,138,795,652**	**2,687,623,599**

- The table above represents the maximum limit of the Bank's credit risk exposure as of 31 December 2020 and 2019, without taking into consideration the collateral and the other factors which will decrease the Bank's credit risk.
- For the statement of financial position items, the exposure in the above table is based on the balances as appeared on the consolidated statement of financial position, in addition to the related accrued interests.

(47–A–3) Credit risk management disclosure

1) Distribution of credit exposure

Internal credit rating	Classification According to instruction number (2009/47)	Total Exposures	Expected credit loss (ECL)	Probability of Default (PD)	Classification by external classification institutions	Exposure at default (EAD)	Loss given default (LGD) %
Performing Exposures							
Balances at Central Banks	Low risk	150,664,838	-	-	BB-	150,665	-
	Acceptable risk	77,268,058	-	-	B-	77,268	-
Balances and deposits at banks and financial institutions	Low risk	70,607,588	-	-	A- /BBB/Baa1/b	70,608	-
	Acceptable risk	71,998,633	68,956	0.1%	A/A-/A - Fitch: A/ F1 Moody's: Baa1/P-2 S&P:A-/A-2	71,999	0.10%
Loans and Advances measured at fair value through income statement	Low risk	112,529,504	-	-	Unrated	112,530	-
	Acceptable risk	-	-	-	Unrated	-	-
Direct credit facilities– amortized cost:							
Corporate companies	Low risk	142,934,081	452,102	0.90%	Unrated	142,934	35.53%
	Acceptable risk	597,469,073	9,262,760	8.57%	Unrated	596,632	29.80%
Small and medium entities	Low risk	23,186,032	40,148	0.78%	Unrated	23,186	23.34%
	Acceptable risk	145,702,344	3,167,375	12.74%	Unrated	145,678	21.30%
Retail	Low risk	65,910,168	258,915	0.95%	Unrated	65,910	40.92%
	Acceptable risk	115,664,734	846,544	4.37%	Unrated	115,665	30.44%
Real estate	Low risk	28,785,104	3,169	0.06%	Unrated	28,785	17.47%
	Acceptable risk	121,705,845	1,648,384	7.95%	Unrated	121,706	14.94%
Government and public sector	Acceptable risk	60,023,731	-	-	BB-	60,024	-
Financial Assets At Amortized Cost – Debt instruments	Low risk	555,179,486	-	-	BB-	555,179	-
	Acceptable risk	8,745,000	40,029	1.24%	BB-/Unrated	8,745	35.53%
Financial Assets at Fair Value through Other Comprehensive Income – Debt instruments	Low risk	28,832,812	-	-	BB-	28,833	-
	Acceptable risk	40,489,213	24,931	5.69%	AA/BBB-	40,489	10.33%

Internal credit rating	Classification According to instruction number (2009/47)	Total Exposures	Expected credit loss (ECL)	Probability of Default (PD)	Classification by external classification institutions	Exposure at default (EAD)	Loss given default (LGD) %
Letters of guarantee	Low risk	14,349,395	73,495	1.06%	Unrated	14,349	34.55%
	Acceptable risk	126,758,053	1,067,302	4.97%	Unrated	126,758	32.65%
Unutilized direct credit limits	Low risk	67,267,591	82,245	0.31%	Unrated	67,268	44.10%
	Acceptable risk	60,772,243	293,220	1.02%	Unrated	60,772	44.97%
Letters of credit	Low risk	5,928,488	114,674	0.68%	Unrated	5,928	38.84%
	Acceptable risk	83,025,751	1,259,585	1.93%	Unrated	83,026	23.04%
Issued Acceptances	Low risk	13,213,399	89,625	0.97%	Unrated	13,213	36.57%
	Acceptable risk	58,179,490	915,601	2.89%	Unrated	58,179	27.52%
Bank acceptances and claims of purchased financial receivables	Low risk	1,653,412	5,394	0.73%	Unrated	1,653	45.00%
	Acceptable risk	32,916,197	111,576	0.75%	Unrated	32,916	45.00%
Non-performing exposures							
Direct credit facilities - amortized cost:							
Corporate companies	Substandard	154,846	27,179	100٪	Unrated	151	20.10%
	Doubtful	5,076,814	4,281,809	100٪	Unrated	4,390	64.04%
	Loss	42,855,620	26,537,879	100٪	Unrated	32,728	49.07%
Small and medium entities	Substandard	742,945	93,750	100٪	Unrated	731	37.94%
	Doubtful	1,105,868	198,742	100٪	Unrated	1,056	28.99%
	Loss	17,631,176	8,680,835	100٪	Unrated	12,445	38.41%
Retail	Substandard	1,028,170	274,391	100٪	Unrated	1,013	19.82%
	Doubtful	772,471	589,922	100٪	Unrated	732	34.14%
	Loss	8,352,070	4,872,212	100٪	Unrated	5,121	50.98%
Real estate	Substandard	319,463	28,777	100٪	Unrated	314	18.87%
	Doubtful	1,522,058	309,627	100٪	Unrated	1,439	16.32%
	Loss	12,424,271	5,395,263	100٪	Unrated	9,290	28.04%
Financial Assets At Amortized Cost - Debt instruments	Loss	500,000	500,000	100٪	Unrated	500	100.00%
Letters of guarantee	Substandard	74,939	1,457	100٪	Unrated	75	1.70%
	Doubtful	60,300	0	100٪	Unrated	60	40.30%
	Loss	5,042,328	463,649	100٪	Unrated	5,042	44.34%
Limits of credit facilities	Substandard	-	-	100٪	Unrated	-	-
	Loss	-	-	100٪	Unrated	-	-

2– Concentration in credit exposures based on economic sectors is as follows:

a) Total distribution of exposures according to financial instruments subject to impairment losses

	31 December 2020									
	Financial	Industrial	Commercial	Real estate	Agriculture	Shares	Retail	Governmental and Public Sector	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance sheet items										
Balances at Central Banks	-	-	-	-	-	-	-	227,932,896	-	227,932,896
Balances at banks and financial institutions	142,576,136	-	-	-	-	-	-	-	-	142,576,136
Direct Credit facilities at amortized cost	23,539,643	149,434,515	287,981,055	296,819,403	37,086,945	77,536,580	169,275,014	60,187,977	210,987,272	1,312,848,404
Loans and advances at fair value through income statement	-	113,546,088	-	-	-	-	-	-	-	113,546,088
Bonds and treasury bills:										
Financial assets at fair value through other comprehensive income	23,977,648	886,934	-	-	-	-	-	44,073,759	1,763,346	70,701,687
Financial assets at Amortized cost	3,604,787	-	-	-	-	-	-	563,304,764	5,168,623	572,078,174
Pledged financial assets - debt instruments	-	-	-	-	-	-	-	33,238,850	-	33,238,850
Other assets	34,395,126	143,924	-	-	-	-	-	-	-	34,539,050
Total 2020	**228,093,340**	**264,011,461**	**287,981,055**	**296,819,403**	**37,086,945**	**77,536,580**	**169,275,014**	**928,738,246**	**217,919,241**	**2,507,461,285**
Off – balance sheet items										
Letter of guarantee	33,461,234	6,944,961	19,763,708	14,566,839	432,341	5,443,133	-	19,114,232	44,952,663	144,679,111
Letter of credit	32,370,504	5,280,331	22,369,566	143,892	2,821,836	207,385	-	-	24,386,464	87,579,978
Other Liabilities	249,540,317	117,113,308	15,737,189	69,803	4,496,339	221,967	-	-	11,896,355	399,075,278
Total	**543,465,395**	**393,350,061**	**345,851,518**	**311,599,937**	**44,837,461**	**83,409,065**	**169,275,014**	**947,852,478**	**299,154,723**	**3,138,795,652**

	31 December 2019									
	Financial	Industrial	Commercial	Real estate	Agriculture	Shares	Retail	Governmental and Public Sector	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance sheet items										
Balances at Central Banks	-	-	-	-	-	-	-	156,848,774	-	156,848,774
Balances at banks and financial institutions	98,268,335	-	-	-	-	-	-	-	-	98,268,335
Deposits at banks and financial institutions	403,875	-	-	-	-	-	-	-	-	403,875
Direct Credit facilities at amortized cost	13,936,429	119,850,057	217,535,121	281,011,593	10,432,930	58,232,871	104,776,481	49,619,069	134,487,177	989,881,728
Loans and advances at fair value through income statement	-	110,128,087	-	-	-	-	-	-	-	110,128,087
Bonds and treasury bills:										
Financial assets at fair value through other comprehensive income	9,829,572	718,646	-	-	-	-	-	33,100,985	1,741,601	45,390,804
Financial assets at Amortized cost	3,593,962	-	-	9,989,564	-	-	-	472,221,509	5,281,997	491,087,032
Pledge financial assets	-	-	-	-	-	-	-	48,404,587	-	48,404,587
Other assets	29,993,406	229,810	-	-	-	-	-	317,897	-	30,541,113
Total 2019	**156,025,579**	**230,926,600**	**217,535,121**	**291,001,157**	**10,432,930**	**58,232,871**	**104,776,481**	**760,512,821**	**141,510,775**	**1,970,954,335**
Off – balance sheet items										
Letter of guarantee	16,569,258	11,734,520	32,092,831	22,389,480	674,259	2,839,937	-	-	49,568,590	135,868,875
Letter of credit	20,971,232	9,980,740	11,989,079	1,199,692	1,608,686	-	-	-	3,855,790	49,605,219
Other Liabilities	306,689,708	4,856,437	126,336,721	2,130,905	19,472,681	7,341,566	-	-	64,367,152	531,195,170
Total	**500,255,777**	**257,498,297**	**387,953,752**	**316,721,234**	**32,188,556**	**68,414,374**	**104,776,481**	**760,512,821**	**259,302,307**	**2,687,623,599**

b) Total distribution of exposures according to financial instruments subject to impairment losses

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Financial	227,875,664	20,811	196,865	228,093,340
Industrial	237,890,275	22,200,899	3,920,287	264,011,461
Commercial	215,772,501	61,294,660	10,913,894	287,981,055
Real estate	238,070,745	48,870,314	9,878,344	296,819,403
Agriculture	34,146,624	2,763,181	177,140	37,086,945
Shares	70,834,207	6,006,584	695,789	77,536,580
Retail	159,498,373	8,069,803	1,706,838	169,275,014
Governmental and Public Sector	928,738,246	-	-	928,738,246
Other	190,177,315	25,895,950	1,845,976	217,919,241
Total	**2,303,003,950**	**175,122,202**	**29,335,133**	**2,507,461,285**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Financial	155,668,077	181,632	175,870	156,025,579
Industrial	191,877,903	30,400,893	8,647,804	230,926,600
Commercial	150,658,376	59,119,973	7,756,772	217,535,121
Real estate	216,837,211	42,100,810	32,063,136	291,001,157
Agriculture	6,600,662	3,730,358	101,910	10,432,930
Shares	47,209,657	900,305	10,122,909	58,232,871
Retail	97,984,759	5,281,636	1,510,086	104,776,481
Governmental and Public Sector	760,512,821	-	-	760,512,821
Other	125,214,886	6,340,537	9,955,352	141,510,775
Total	**1,752,564,352**	**148,056,144**	**70,333,839**	**1,970,954,335**

3) Credit Concentration based on geographic distribution is as follows:

a) Total distribution of exposures according to geographic region

	31 December 2020							
	Inside Jordan	Other Middle Eastern countries	Europe	Asia	Africa	America	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks	150,664,838	77,268,058	-	-	-	-	-	227,932,896
Balances at banks and financial institutions	39,763,454	36,465,245	43,049,262	2,580,627	-	20,682,610	34,938	142,576,136
Direct Credit facilities at amortized cost	1,158,616,917	154,231,487	-	-	-	-	-	1,312,848,404
Loans and advances at fair value through income statement	113,546,088	-	-	-	-	-	-	113,546,088
Bonds and treasury bills:								
Financial assets at fair value through other comprehensive income	12,607,355	56,722,352	683,611	389,446	298,923	-	-	70,701,687
Financial assets at Amortized cost	568,473,387	3,604,787	-	-	-	-	-	572,078,174
Pledged financial assets - debt instruments	33,238,850	-	-	-	-	-	-	33,238,850
Other assets	230,335	34,308,715	-	-	-	-	-	34,539,050
Total 2020	**2,077,141,224**	**362,600,644**	**43,732,873**	**2,970,073**	**298,923**	**20,682,610**	**34,938**	**2,507,461,285**
Letter of guarantee	99,506,222	41,621,834	3,548,555	-	500	2,000	-	144,679,111
Letter of Credit	36,688,497	50,891,481	-	-	-	-	-	87,579,978
Other Liabilities	348,896,355	50,178,923	-	-	-	-	-	399,075,278
Total	**2,562,232,298**	**505,292,882**	**47,281,428**	**2,970,073**	**299,423**	**20,684,610**	**34,938**	**3,138,795,652**

	31 December 2019							
	Inside Jordan	Other Middle Eastern countries	Europe	Asia	Africa	America	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks	85,774,718	71,074,056	-	-	-	-	-	156,848,774
Balances at banks and financial institutions	4,021,484	21,897,198	23,676,499	5,886,565	-	42,657,110	129,479	98,268,335
Deposits at banks and financial institutions	-	403,875	-	-	-	-	-	403,875
Direct Credit facilities at amortized cost	887,043,745	102,837,983	-	-	-	-	-	989,881,728
Loans and advances at fair value through income statement	110,128,087	-	-	-	-	-	-	110,128,087
Bonds and treasury bills:								
Financial assets at fair value through other comprehensive income	17,950,698	26,092,311	670,990	377,680	299,125	-	-	45,390,804
Financial assets at Amortized cost	474,650,530	16,436,502	-	-	-	-	-	491,087,032
Pledged financial assets - debt instruments	48,404,587	-	-	-	-	-	-	48,404,587
Other assets	661,110	29,880,003	-	-	-	-	-	30,541,113
Total 2019	**1,628,634,959**	**268,621,928**	**24,347,489**	**6,264,245**	**299,125**	**42,657,110**	**129,479**	**1,970,954,335**
Letter of guarantee	98,609,755	31,666,370	3,738,630	1,851,620	500	2,000	-	135,868,875
Letter of Credit	12,166,970	36,620,724	817,525	-	-	-	-	49,605,219
Other Liabilities	457,432,353	73,762,817	-	-	-	-	-	531,195,170
Total	**2,196,844,037**	**410,671,839**	**28,903,644**	**8,115,865**	**299,625**	**42,659,110**	**129,479**	**2,687,623,599**

b) Distribution of exposures according to geographic region on stages according to IFRS 9

Thursday, December 31, 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Inside Jordan	1,896,553,865	154,084,819	26,502,540	2,077,141,224
Other Middle Eastern countries	338,745,854	21,022,197	2,832,593	362,600,644
Europe	43,732,873	-	-	43,732,873
Asia	2,954,887	15,186	-	2,970,073
Africa	298,923	-	-	298,923
America	20,682,610	-	-	20,682,610
Other Countries	34,938	-	-	34,938
Total	**2,303,003,950**	**175,122,202**	**29,335,133**	**2,507,461,285**

Thursday, December 31, 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Inside Jordan	1,446,036,582	118,710,237	63,888,140	1,628,634,959
Other Middle Eastern countries	232,999,861	29,176,368	6,445,699	268,621,928
Europe	24,347,489	-	-	24,347,489
Asia	6,094,706	169,539	-	6,264,245
Africa	299,125	-	-	299,125
America	42,657,110	-	-	42,657,110
Other Countries	129,479	-	-	129,479
Total	**1,752,564,352**	**148,056,144**	**70,333,839**	**1,970,954,335**

4– The fair value distribution of collateral against credit exposure (for total credit exposures) is as follows:

Thursday, December 31, 2020	Total Exposure	Interest In Suspense	Fair value of Collaterals							Net exposures after collateral	Expected credit loss (ECL)
			Cash Collaterals	Listed stocks	Accepted guarantees	Real estate	Cars and equipment	Others	Total Collateral		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	227,932,896	-	-	-	-	-	-	-	-	227,932,896	-
Balances at banks and financial institutions	142,645,092	-	-	-	-	-	-	-	-	142,645,092	68,956
Deposits at banks and financial institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Direct credit facilities:											
Retail	192,755,962	3,287,310	12,789,918	13,759,142	-	2,406,763	16,514,190	687,466	46,157,479	146,598,483	6,841,990
Real estate Mortgages	166,376,968	3,222,152	3,058,058	-	-	157,295,594	-	-	160,353,652	6,023,316	7,385,219
Companies											
Corporate	793,561,752	11,655,538	20,966,365	10,521,855	3,017,304	167,723,201	24,449,210	12,673,708	239,351,643	554,210,109	40,561,724
Small and medium enterprises "SMEs"	190,373,678	5,272,800	7,991,500	357,123	-	75,127,534	4,622,646	6,100,749	94,199,552	96,174,126	12,181,200
Government and public sector lending	60,187,977	-	182,117	-	-	-	-	-	-	60,187,977	-
Loans and advances at fair value through income statement	113,546,088	-	-	-	-	-	-	-	-	-	-
Debt, subordinate, and treasury bills:											
Financial assets at fair value through other comprehensive income	70,726,618	-	-	-	-	-	-	-	-	70,726,618	24,931
Financial assets at amortized cost	572,618,203	-	-	4,690,079	-	7,159,440	-	-	11,849,519	560,768,684	540,029
Pledged financial assets	33,238,850	-	-	-	-	-	-	-	-	33,238,850	-
Other assets	34,656,020	-	-	-	-	-	-	-	-	34,656,020	116,970
Total	**2,598,620,104**	**23,437,800**	**44,987,958**	**29,328,199**	**3,017,304**	**409,712,532**	**45,586,046**	**19,461,923**	**551,911,845**	**1,933,162,171**	**67,721,019**
Letters of guarantee	146,285,015	-	54,097,302	118,656	822,158	13,525,907	1,332,916	-	69,896,939	76,388,076	1,605,904
Letters of credit	88,954,239	-	38,928,424	-	693,460	17,216,550	-	17,331,190	74,169,624	14,784,615	1,374,261
Other liabilities	400,455,968	-	31,367,084	-	-	3,000,000	-	-	34,367,084	366,088,884	1,380,690
Total	**3,234,315,326**	**23,437,800**	**169,380,768**	**29,446,855**	**4,532,922**	**443,454,989**	**46,918,962**	**36,793,113**	**730,345,492**	**2,390,423,746**	**72,081,874**

Thursday, December 31, 2019	Total Exposure	Interest In Suspense	Fair value of Collaterals						Total Collateral	Net exposures after collateral	Expected credit loss (ECL)
			Cash Collaterals	Listed stocks	Accepted guarantees	Real estate	Cars and equipment	Others			
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	156,848,774	-	-	-	-	-	-	-	-	156,848,774	-
Balances at banks and financial institutions	98,268,335	-	-	-	-	-	-	-	-	98,268,335	-
Deposits at banks and financial institutions	**404,130**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**404,130**	**255**
Direct credit facilities:											
Retail	121,324,380	4,287,045	9,009,853	14,072,553	-	30,686,521	26,457,312	16,309,569	96,535,808	24,788,572	6,096,149
Real estate Mortgages	157,208,338	2,305,645	1,156,025	-	-	135,346,719	1,578,602	-	138,081,346	19,126,992	3,728,704
Companies											
Corporate	577,871,088	7,790,995	21,459,912	15,522,833	3,537,360	144,527,159	32,461,770	438,365	217,947,399	359,923,689	22,162,204
Small and medium enterprises "SMEs"	147,727,166	3,551,784	5,318,040	1,064,898	-	70,373,620	5,920,152	5,715,292	88,392,002	59,335,164	13,863,647
Government and public sector lending	49,540,298	-	-	-	-	-	-	-	-	-	3,369
Financial assets at fair value through other comprehensive income	110,128,087	-	-	-	-	-	-	-	-	110,128,087	
Debt, subordinate, and treasury bills:											
Financial assets at fair value through other comprehensive income	45,418,438	-		-	-	-	-	-	-	45,418,438	27,634
Financial assets at amortized cost	491,636,999	-	-	3,545,000	-	5,423,085	-	-	8,968,085	482,668,914	549,967
Pledged financial assets	48,404,587	-	-	-	-	-	-	-	-	48,404,587	-
Other assets	30,622,821	-	-	-	-	-	-	-	-	30,622,821	81,708
Total	**2,035,403,441**	**17,935,469**	**36,943,830**	**34,205,284**	**3,537,360**	**386,357,104**	**66,417,836**	**22,463,226**	**549,924,640**	**1,435,938,503**	**46,513,637**
Letters of guarantee	136,633,582	-	42,535,471	165,600	-	10,504,200	179,000	-	53,384,271	83,249,311	764,707
Letters of credit	50,557,057	-	10,770,190	-	-	649,150	1,917,986	-	13,337,326	37,219,731	951,838
Other liabilities	426,734,635	-	84,563,003	-	-	-	-	-	84,563,003	342,171,632	1,889,465
Total	**2,649,328,715**	**17,935,469**	**174,812,494**	**34,370,884**	**3,537,360**	**397,510,454**	**68,514,822**	**22,463,226**	**701,209,240**	**1,898,579,177**	**50,119,647**

5 – The fair value distribution of collateral against credit exposure is as follows (for exposures under stage three):

Thursday, December 31, 2020			Fair value of Collaterals								
	Total Exposure	Interest In Suspense	Cash Collaterals	Listed stocks	Accepted guarantees	Real estate	Cars and equipements	Others	Total Collateral	Net exposures after collateral	Expected credit loss (ECL)
	JD		JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	69,091	-	-	-	-	-	-	-	-	69,091	68,956
Direct credit facilities:											
Retail	10,660,321	3,287,310	84,933	437,513	-	776,526	1,851,587	-	3,150,559	7,509,762	5,736,529
Real estate Mortgages	14,671,036	3,222,152	435,133	-	-	11,647,653	-	-	12,082,786	2,588,250	5,733,666
Companies											
Corporate	54,829,675	11,434,161	1,513,741	-	33,180	13,820,578	1,826,504	-	17,194,003	37,635,672	30,848,582
Small and medium enterprises -SMEs	23,688,742	5,272,800	2,198,139	-	-	5,362,406	50,000	56,162	7,666,707	16,022,035	8,979,575
Debt, subordinate, and treasury bills:											
Financial assets at amortized cost	500,000	-	-	-	-	-	-	-	-	500,000	500,000
Total	**104,418,865**	**23,216,423**	**4,231,946**	**437,513**	**33,180**	**31,607,163**	**3,728,091**	**56,162**	**40,094,055**	**64,324,810**	**51,867,308**
Letters of guarantee	5,283,031	-	1,353,261	-	-	1,070,912	13,275	-	2,437,448	2,845,583	472,812
Other liabilities	20,885	-	-	-	-	-	-	-	-	20,885	-
Total	**109,722,781**	**23,216,423**	**5,585,207**	**437,513**	**33,180**	**32,678,075**	**3,741,366**	**56,162**	**42,531,503**	**67,191,278**	**52,340,120**

Thursday, December 31, 2019	Total Exposure	Interest In Suspense	Fair value of Collaterals							Net exposures after collateral	Expected credit loss (ECL)
			Cash Collaterals	Listed stocks	Accepted guarantees	Real estate	Cars and equipements	Others	Total Collateral		
	JD		JD	JD	JD	JD	JD	JD	JD	JD	JD
Direct credit facilities:											
Retail	16,294,163	4,287,045	101,160	6,624,923	-	1,932,063	23,636	134,708	8,816,490	7,477,673	5,277,960
Real estate Mortgages	16,810,695	2,305,645	472,027	-	-	12,356,948	21,900	-	12,850,875	3,959,820	3,539,658
Companies											
Corporate	47,499,798	7,743,181	2,090,178	5,833,678	-	14,112,336	791,767	386,035	23,213,994	24,285,804	18,124,547
Small and medium enterprises- SMEs	41,722,250	3,599,598	4,613,378	179,971	-	8,439,734	-	30,443	13,263,526	28,458,724	12,400,124
Debt, subordinate, and treasury bills:											
Financial assets at amortized cost	5,700,000	-	-	-	-	5,423,085	-	-	5,423,085	276,915	500,000
Total	**128,026,906**	**17,935,469**	**7,276,743**	**12,638,572**	**-**	**42,264,166**	**837,303**	**551,186**	**63,567,970**	**64,458,936**	**39,842,289**
Letters of guarantee	7,748,065	-	668,766	-	-	-	-	-	668,766	7,079,299	20,145
Other liabilities	19,007	-	7,300	-	-	-	-	-	7,300	11,707	-
Total	**135,793,978**	**17,935,469**	**7,952,809**	**12,638,572**	**-**	**42,264,166**	**837,303**	**551,186**	**64,244,036**	**71,549,942**	**39,862,434**

6) Total credit exposures that have been reclassified

a) Total credit exposures that have been reclassified

Thursday, December 31, 2020	Stage Two		Stage Three			
	Total Exposure	reclassified exposure	Total Exposure	Total reclassified exposures	Total reclassified exposures	Percentage of reclassified exposures
	JD	JD	JD	JD	JD	
Balances at banks and financial institutions	20,806	-	135	135	135	1%
Direct Credit Facilities at amortized cost	168,458,517	28,358,574	50,550,997	2,950,777	31,309,351	14%
Bonds and treasury bills within:						
Financial assets at Amortized cost	5,168,623	5,200,000	-	-	5,200,000	101%
Other assets	143,923	-	-	-	-	-
Total	**173,791,869**	**33,558,574**	**50,551,132**	**2,950,912**	**36,509,486**	**16%**
Letters of guarantee	7,955,269	3,225,608	4,810,219	2,149,095	5,374,703	42%
Letters of Credit	956,210	-	-	-	-	-
Bank acceptances	514,904	-	-	-	-	-
Unutilized credit facilities	3,776,508	60,139	20,885	-	60,139	2%
Total	**13,202,891**	**3,285,747**	**4,831,104**	**2,149,095**	**5,434,842**	**30%**

Thursday, December 31, 2019	Stage Two		Stage Three			
	Total Exposure	reclassified exposure	Total Exposure	Total reclassified exposures	Total reclassified exposures	Percentage of reclassified exposures
	JD	JD	JD	JD	JD	
Balances at Central Banks						
Balances at banks and financial institutions	181,632	169,539	-	-	-	-
Direct Credit Facilities at amortized cost	141,226,401	26,708,873	82,025,427	31,259,397	57,968,270	26%
Bonds and treasury bills within:						
Financial assets at Amortized cost	-	-	5,200,000	5,200,000	5,200,000	100%
Other assets	229,809	-	-	-	-	-
Total	**141,637,842**	**26,878,412**	**87,225,427**	**36,459,397**	**63,168,270**	**28%**
Letters of guarantee	5,940,363	3,194,958	7,727,920	2,347,880	5,542,838	41%
Letters of Credit	268,098	234,574	-	-	234,574	87%
Bank acceptances	1,680,126	1,841,143	-	-	1,841,143	110%
Unutilized credit facilities	2,565,731	-	19,007	-	-	-
Total	**10,454,318**	**5,270,675**	**7,746,927**	**2,347,880**	**7,618,555**	**42%**

b Expected Credit Loss for the reclassified exposures)

Thursday, December 31, 2020	Exposures that have been classified			Expected Credit Loss for the reclassified exposures		Total
	Exposures that were reclassified from stage two	Exposures that were reclassified from stage three	Total reclassified exposures	Stage Two	Stage Three	
	JD	JD	JD	JD	JD	JD
Deposits at banks and financial institutions	-	135	135	-	(68,956)	(68,686)
Direct Credit Facilities - amortized cost	28,358,574	2,950,777	31,309,351	(354,921)	(2,698,370)	28,256,060
Financial assets at Amortized cost	5,200,000	-	5,200,000	-	-	5,200,000
Total	**33,558,574**	**2,950,912**	**36,509,486**	**(354,921)**	**(2,767,326)**	**33,387,374**
Letters of guarantee	3,225,608	2,149,095	5,374,703	(14,840)	(567,804)	4,792,059
Unutilized credit facilities	60,139	-	60,139	(25,373)	-	34,766
Total	**3,285,747**	**2,149,095**	**5,434,842**	**(40,213)**	**(567,804)**	**4,826,825**

Thursday, December 31, 2019	Exposures that have been classified			Expected Credit Loss for the reclassified exposures		Total
	Exposures that were reclassified from stage two	Exposures that were reclassified from stage three	Total reclassified exposures	Stage Two	Stage Three	
	JD	JD	JD	JD	JD	JD
Direct Credit Facilities - amortized cost	26,708,873	31,259,397	57,968,270	(1,443,127)	(8,532,495)	47,992,648
Financial assets at Amortized cost	-	5,200,000	5,200,000	-	-	5,200,000
Total	**26,708,873**	**36,459,397**	**63,168,270**	**(1,443,127)**	**(8,532,495)**	**53,192,648**
Letters of guarantee	3,194,958	2,347,880	5,542,838	(29,025)	-	5,513,813
Letters of Credit	234,574	-	234,574	(8,684)	-	225,890
Bank acceptances	1,841,143	-	1,841,143	-	-	1,841,143
Total	**5,270,675**	**2,347,880**	**7,618,555**	**(37,709)**	**-**	**7,580,846**

7) Credit exposures according to the Central Bank of Jordan instructions number 47/2009 are in conformity with IFRS 9

31 December 2020	According to the Central Bank of Jordan instructions number 47/200				According to the International Financial Reporting Standards								
					Stage one			Stage two					
	Total	Interest in suspense	Gross	Provision	Total	Expected credit loss	Interest in suspense	Total	Expected credit loss	Interest in suspense	Total	Expected credit loss	Interest in suspense
Performing loans	1,165,038,366	-	1,165,038,366	-	1,113,255,381	5,868,144	-	-	-	-	-	-	-
Watch list	136,342,746	-	136,342,746	2,213,556	-	-	-	178,262,154	9,744,149	221,377	-	-	-
Non performing:	-	-	-	-	-	-	-	-	-	-	101,849,349	44,354,487	23,216,425
- Substandard	2,245,424	37,141	2,208,283	405,635	-	-	-	-	-	-	-	-	-
- Doubtful	8,477,211	859,603	7,617,610	3,213,406	-	-	-	-	-	-	-	-	-
- Loss	81,263,137	21,679,734	59,583,402	47,205,009	-	-	-	-	-	-	-	-	-
Total	**1,393,366,884**	**22,576,478**	**1,370,790,407**	**53,037,606**	**1,113,255,381**	**5,868,144**	**-**	**178,262,154**	**9,744,149**	**221,377**	**101,849,349**	**44,354,487**	**23,216,425**

8- Rescheduled loans

Are defined as loans that were classified as "Non-performing" credit facilities, and subsequently removed and included under "Watch List" based upon a proper rescheduling that complies with the Central Bank of Jordan's regulations. These loans amounted to JD 54,199,174 as of 31 December 2020, against JD 34,362,656 as of 31 December 2019. The rescheduled loans balances represents the scheduled loans either still classified as watch list or transferred to as performing.

9- Restructured loans

Restructuring is defined as reorganizing credit facilities in terms of installments, extending the term of credit facilities, deferment of installments, or extending the grace period and accordingly are classified as "Watch List" in case of restructuring twice during the year according to the Central Bank of Jordan instructions number 47/2009 issued on 10 December 2009 and its amendments. These debts amounted to JD 112,598,526 as of 31 December 2020 against JD 93,275,990 as of 31 December 2019.

10- Bonds and Treasury Bills

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies:

2020 Risk Rating Class	Financial assets at fair value through income statement	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Pledged financial assets	Total
	JD	JD	JD	JD	JD
Non-rated	-	9,245,000	7,492,397	-	16,737,397
Governmental	-	555,179,486	59,777,684	32,599,621.00	647,556,791
S&P (AA)	-	-	1,470,254	-	1,470,254
S&P (B +)	-	-	142,454	-	142,454
S&P (B -)	-	-	296,575	-	296,575
S&P (BBB -)	-	-	142,661	-	142,661
Total	**-**	**564,424,486**	**69,322,025**	**32,599,621**	**666,346,132**

2019 Risk Rating Class	Financial assets at fair value through income statement	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Pledged financial assets	Total
	JD	JD	JD	JD	JD
Non-rated	-	19,245,000	3,676,948	-	22,921,948
Governmental	-	464,132,059	32,857,728	47,490,484	544,480,271
S&P (A/AA)	-	-	3,235,759	-	3,235,759
S&P (A+/A-)	-	-	3,462,733	-	3,462,733
S&P (A3)	-	-	152,212	-	152,212
S&P (B+)	-	-	324,997	-	324,997
S&P (BBB+/BBB-)	-	-	654,712	-	654,712
S&P (BB)	-	-	139,219	-	139,219
S&P (B3)	-	-	295,735	-	295,735
S&P (Baa3)	-	-	287,256	-	287,256
Total	**-**	**483,377,059**	**45,087,299**	**47,490,484**	**575,954,842**

(46 – 2) Market Risk

Market Risk is the risk of fluctuations and changes in the fair value or the cash flow of financial instruments, due to changes in market prices such as interest rates, exchange rates, and stock prices. Market risk arises from open positions in interest rates, currency rates and equity and security investments. These risks are monitored through specific policies and procedures by specialized committees and concerned business units. The risks include the following:

1. Interest Rate Risk
2. Exchange Rate Risk
3. Equity Price Risk

The Bank manages the expected market risk by adopting financial and investment policies within a specific strategy, and through the Assets and Liabilities Committee, which is tasked with the supervision of market risk and providing advice regarding the acceptable risks and the policy that is being followed.

The Market Risk Unit has been established and staffed by qualified and trained personnel to manage this type of risk according to the following:

1. Policies and procedures that are approved by the Board of Directors and the Central Bank of Jordan.
2. Market Risk Policy that includes principles of identifying, managing, measuring and monitoring this type of risk and having it approved by the relevant committees.

3. Monitoring reports for managing and monitoring market risk.
4. Developing tools and measures to manage and monitor market risk through:
   a. Sensitivity Analysis
   b. Basis Point Analysis
   c. Value at Risk (VaR)
   d. Stress Testing
   e. Stop-Loss Limit Reports
   f. Monitoring the Bank's investment limits
   g. Monitoring the Bank's investment portfolio at fair value through other comprehensive income and conducting revaluations of the portfolio on a regular basis.
5. The Middle Office Unit is tasked with monitoring, on a daily basis, all the investment limits in the money market and the foreign exchange transactions.

1- Interest Rate Risk:
Interest rate risk arises from the possible impact of changes in interest rates on the Bank's profits or the fair value of financial instruments. The Bank is exposed to interest rate risk due to the possible interest rate mismatch or gap between assets and liabilities valued at different time intervals, or the revision of the interest rates at a given time interval. The Bank manages these risks by reviewing the interest rates on assets and liabilities on a regular basis.

The Assets and Liabilities Management Policy includes limits for interest rate sensitivity. The Asset and Liability Committee evaluates the interest rate risk through periodic meetings and examines the gaps in the maturities of assets and liabilities and the extent by which it is affected by the current and expected interest rates, while comparing it with the approved limits, and implementing hedging strategies when needed.

The Bank uses hedging instruments such as Interest Rate Swaps to curb the negative impact of fluctuations in interest rates.

Interest Rate Risk Reduction Methods:
The Asset and Liability Committee, through periodic meetings convened for this purpose, evaluates the assets and liabilities maturity gaps, and the extent of their exposure to the impacts of current and expected interest rates are examined. In addition, solutions are proposed to reduce the impact of these risks.

Balancing due dates of assets and liabilities; the management of the Bank seeks to harmonize the impact of interest rates changes within the assets and liabilities maturity categories to mitigate any negative impact that may arise from fluctuations in interest rates.

Interest Rate Gaps:
The Bank mitigates any gaps in interest rates through a circular that adjusts interest rates on its assets and liabilities that links and balances the maturities and interests.

Interest Rate Hedging:

The Bank acquires long-term financing to meet its long-term investments using fixed interest rates as much as possible to avoid interest rate fluctuations. Conversely, the Bank invests in short-term investments to meet any possible fluctuations.

The sensitivity of statement of income is represented by the effect of the possible expected changes in interest rates on the Bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as at 31 December 2020:

2020 Currency	Increase in interest rate %	Sensitivity of interest income (profit and loss) JD	Sensitivity of equity JD
US Dollar	1	440,669	-
Euro	1	435	-
Pound Sterling	1	(1,076)	-
Japanese Yen	1	15,451	-
Other Currencies	1	234	-
2019 Currency	**Increase in interest rate %**	**Sensitivity of interest income (profit and loss) JD**	**Sensitivity of equity JD**
US Dollar	1	319,738	-
Euro	1	(20,618)	-
Pound Sterling	1	34,301	-
Japanese Yen	1	(12)	-
Other Currencies	1	(373)	-

The sensitivity of the interest rates is as follows:

The following analysis shows interest rate re-pricing or maturity dates, whichever is earlier:

31 December 2020	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	Non-interest bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets-								
Cash and balances at Central Banks	87,000,000	-	-	-	-	-	208,853,517	295,853,517
Balances and deposits at banks and financial institutions	38,689,420	4,927,550	-	-	-	-	98,920,295	142,537,265
Direct credit facilities at amortized cost	122,617,170	110,725,448	107,303,042	162,029,466	448,901,150	324,269,478	27,113,197	1,302,958,951
Loans and advances measured at fair value through income statement	-	-	-	-	-	112,529,504	-	112,529,504
Financial assets at fair value through other comprehensive income	142,454	-	-	-	37,528,509	31,626,132	20,280,039	89,577,134
Financial assets at amortized Cost - net	5,200,000	34,381,665	98,929,831	21,327,146	125,849,904	278,195,911	-	563,884,457
Pledged financial assets	-	-	-	11,397,623	10,271,639	10,930,359	-	32,599,621
Property and equipment - net	-	-	-	-	-	-	34,940,997	34,940,997
Intangible assets - net	-	-	-	-	-	-	11,180,010	11,180,010
Deferred tax assets	-	-	-	-	-	-	15,562,847	15,562,847
Leased Assets	-	-	-	515,289	81,050	3,346,700	-	3,943,039
Other assets	9,719,952	1,592,448	1,587,678	31,529,646	6,480,130	10,418,932	81,909,189	143,237,975
Total Assets	**260,568,860**	**151,627,111**	**207,820,551**	**226,799,170**	**629,112,382**	**771,317,016**	**501,560,227**	**2,748,805,317**

31 December 2020	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	Non-interest bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities-								
Banks and financial institution deposits	104,047,736	19,947,754	-	-	-	-	14,063,363	138,058,853
Customers' deposits	147,987,661	204,605,503	262,409,597	424,772,829	204,764,285	3,214,000	426,458,931	1,674,212,806
Cash Margin accounts	11,673,837	11,548,537	11,235,488	16,182,462	47,866,530	41,589,974	11,626,554	151,723,382
Loans and borrowings	79,284,540	36,056,051	3,332,223	25,421,871	130,357,424	55,539,118	-	329,991,227
Income tax provisions	-	-	-	-	-	-	4,887,737	4,887,737
Deferred tax liabilities	-	-	-	-	-	-	2,815,978	2,815,978
Sundry provisions	-	-	-	-	-	-	3,518,481	3,518,481
Expected credit losses provision against off balance sheet items	-	-	-	-	-	-	4,360,854	4,360,854
Obligations for lease contracts	-	-	-	1,843,370	517,713	1,622,649	-	3,983,732
Other liabilities	5,090,891	1,862,101	2,432,585	2,573,614	1,211,117	141,081	37,893,568	51,204,957
Bond loans	-	-	-	-	-	28,360,000	-	28,360,000
Total liabilities	**348,084,665**	**274,019,946**	**279,409,893**	**470,794,146**	**384,717,069**	**130,466,822**	**505,625,466**	**2,393,118,007**
Interest rate sensitivity gap	**(87,515,805)**	**(122,392,835)**	**(71,589,342)**	**(243,994,976)**	**244,395,313**	**640,850,194**	**(4,065,239)**	**355,687,310**
31 December 2019								
Total Assets	**185,307,579**	**100,561,822**	**77,773,707**	**127,238,132**	**421,315,183**	**744,632,529**	**529,545,047**	**2,186,373,999**
Total Liabilities	**240,238,813**	**230,742,651**	**280,852,532**	**338,061,889**	**296,306,131**	**118,814,753**	**333,878,184**	**1,838,894,953**
Interest rate sensitivity gap	**(54,931,234)**	**(130,180,829)**	**(203,078,825)**	**(210,823,757)**	**125,009,052**	**625,817,776**	**195,666,863**	**347,479,046**

2- Currency Risks

The currency risk is the risk of change in the value of financial instruments due to change in exchange rates. The Jordanian Dinar is the base currency of the Bank. The Board of Directors imposes limits for the financial position of each currency at the Bank. The foreign currency positions are monitored on a daily basis, and hedging strategies are implemented to ensure the maintenance of foreign currencies' positions within the approved limits.

The Bank's investment policy states that it is possible to hold positions in major foreign currencies, provided that they do not exceed 5% of shareholders' equity for each currency, and that the gross foreign currencies position does not exceed 15% of shareholders equity. Also, the foreign currency positions are monitored on a daily basis. In addition, complex market instruments can be used to hedge against fluctuations in currency exchange rates according to limits that ensure the Bank is not exposed to additional risks.

The following table illustrates the possible effect on the statement of income as a result of fluctuations in exchange rates against the Jordanian Dinar, assuming that all other variables remain constant:

2020-	Change in currency exchange rate	Effect on profit and loss
Currency	%	JD
Euro	5	(29,011)
British Pound Sterling	5	154,394
Japanese Yen	5	3,195
Other currencies	5	101,944
2019-	**Change in currency exchange rate**	**Effect on profit and loss**
Currency	**%**	**JD**
Euro	5	127,971
British Pound Sterling	5	22,678
Japanese Yen	5	4,792
Other currencies	5	3,962,080

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign

Concentration in Foreign currency risk:

2020	US Dollar	Euro	Pound sterling	Japanese Yen	Other	Total
Assets						
Cash and balances at Central Bank of Jordan	105,602,931	1,525,044	335,963	-	45,814,983	153,278,921
Balances at banks and financial institutions	74,827,852	42,355,379	13,732,672	1,660,848	9,925,864	142,502,615
Financial assets at fair value through other comprehensive income	68,578,909	539,776	803,620	-	2,988,983	72,911,288
Loans and advances at fair value through income statement	112,529,504	-	-	-	-	112,529,504
Credit facilities at amortized cost	170,188,333	28,425	-	14,202,177	123,119,299	307,538,234
Financial assets at amortized cost - net	152,830,463	-	-	-	-	152,830,463
Leased assets	-	-	-	-	1,730,129	1,730,129
Property and equipment - net	2,719,770	-	-	-	5,863,053	8,582,823
Intangible assets - net	-	-	-	-	1,607,642	1,607,642
Deferred tax assets	-	-	-	-	1,039,723	1,039,723
Other assets	36,830,234	1,737,587	4,596	11,054	19,631,383	58,214,854
Total Assets	**724,107,996**	**46,186,211**	**14,876,851**	**15,874,079**	**211,721,059**	**1,012,766,196**
Liabilities						
Banks and financial institution deposits	109,439,992	7,925,386	26,809	62,435	1,342,850	118,797,472
Customers' deposits	448,070,172	10,015,155	15,949,405	285,686	121,349,381	595,669,799
Cash Margin accounts	62,721,777	5,177,819	37,999	12,760	4,254,168	72,204,523
Loans and borrowings	69,321,945	17,419,420	-	-	28,653,834	115,395,199
Income tax provision	-	-	-	-	2,154,559	2,154,559
Sundry provisions	38,995	-	-	-	3,376,786	3,415,781
Expected credit losses provision against off balance sheet items	-	-	-	-	2,905,353	2,905,353
Other liabilities	4,164,339	1,712,789	5,591	-	10,523,483	16,406,202
Bond loans	28,360,000	-	-	-	-	28,360,000
Lease obligations	-	-	-	-	1,723,092	1,723,092
Total Liabilities	**722,117,220**	**42,250,569**	**16,019,804**	**360,881**	**176,283,506**	**957,031,980**
Net concentration in the statement of financial position	1,990,776	3,935,642	(1,142,953)	15,513,198	35,437,553	55,734,216
Forward contracts	28,447,372	(1,365,459)	244,117	(15,449,242)	141,900	12,018,688
Net concentration in foreign currency	**30,438,148**	**2,570,183**	**898,836**	**63,956**	**35,579,453**	**67,752,904**

2019	US Dollar	Euro	Pound sterling	Japanese Yen	Other	Total
Total Assets	**482,126,468**	**22,274,561**	**2,934,537**	**5,052,348**	**206,173,392**	**718,561,306**
Total Liabilities	**489,712,043**	**47,296,338**	**11,749,523**	**2,654,500**	**125,770,218**	**677,182,624**
Net concentration in the statement of financial position	(7,585,575)	(25,021,777)	(8,814,986)	2,397,848	80,403,174	41,378,684
Forward contracts	(8,868,146)	27,581,189	9,268,546	(2,302,002)	(1,161,576)	24,518,010
Net concentration in foreign currency	**(16,453,721)**	**2,559,412**	**453,560**	**95,845**	**79,241,598**	**65,896,694**

3- Equity Price Risk

Equity price risk arises from the change in the fair value of equity investments. The Bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the Bank's equity investments are listed in Amman Stock Exchange.

The following table illustrates the statement of income sensitivity and the cumulative change in fair value as a result of possible reasonable changes in the equity prices, assuming that all other variables remain constant:

Indicator	Change in indicator	Effect on profit and loss	Effect on equity
2020 –	**%**	**JD**	**JD**
Amman Stock exchange	5	-	148,849
Regional Markets	5	-	156,086
Indicator	**Change in indicator**	**Effect on profit and loss**	**Effect on equity**
2019 –	**%**	**JD**	**JD**
Amman Stock exchange	5	98,871	287,209
Regional Markets	5	-	108,706

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

(47 – 3) Liquidity Risk

Liquidity risk refers to the risk arising from the probability of the Bank being unable to raise adequate funds in any geographical region, currency and time, to meet its obligations when they are due, or to finance its activities without bearing high costs or incurring losses because of resorting to:

1. Selling Bank assets at low prices; leading to a decrease in the expected returns and the financial profits of the Bank.
2. Acquiring high-cost obligations in order to meet its commitments, which would lead to an increase in the costs and a consequent decrease in the expected profits of the Bank.

The impact of a liquidity risk is identified by ascertaining the extent of the liquidity of its assets and the ability of the Bank to convert liquid and semi-liquid assets into cash with the least amount of losses if the prices decrease. The Bank should provide the assets that can be sold at a price that is close to its fair value. Accordingly, the liquidity risk which the Bank may be subject to can be divided into the following:

A- Funding Liquidity Risk: the inability of the Bank to convert assets into cash such as accounts receivable, or obtain financing to meet commitments.
B- Market Liquidity Risk: the inability of the Bank to sell assets in the market or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market.

The treasury and Investment department is responsible for managing the Bank's liquidity, while the Asset and Liability Committee (ALCO) manages, measures and monitors the liquidity risk which are governed by pre-set policies and procedures as well as the Contingency Funding Plan. The Committee is tasked with monitoring and controlling liquidity and ensuring the optimum strategic distribution of the Bank assets and liabilities, whether in the on/off-statement of financial position items of it in coordination with the head of Treasury and Investment Department. The management of liquidity risk is conducted within the following group of inputs:

1- A set of policies and procedures approved by the committees which determine principles, definition, management, measurement and monitoring of liquidity risk.
2- Contingency Funding Plan, which includes:
    a. Specific procedures for liquidity contingency management.
    b. A specialized committee for liquidity contingency management.
    c. Liquidity Contingency Plan.
    d. Analysis of the liquidity position of the Bank based on the following liquidity reports:
        - Duration gap analysis of assets and liabilities
        - Legal liquidity ratio, liquidity according to maturity ladder (in Jordanian dinar and foreign currencies).
        - Certificate of Deposits (CDs) issued by Capital Bank (in Jordanian dinar and foreign currencies).
        - Customers Deposits (in Jordanian dinar and foreign currencies)
        - Liquidity Indicators Report
        - Stress testing

The Treasury and Investment Department, in coordination with the Market Risk Unit, diversifies funding sources and matches its maturity dates, and maintains sufficient liquid assets, in order to mitigate liquidity risk. Accordingly, this is accomplished through:

Analysis and monitoring of assets and liabilities maturity dates: the Bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Committee, the Bank seeks to achieve a balance between the maturity dates of the assets and liabilities, and monitors the gaps in relation to those specified by the policies of the Bank.

Liquidity Contingency Plan: Assets and Liabilities Risk Management Committee submits its recommendations regarding the liquidity risk management and its procedures and sets necessary orders to apply the effective monitoring controls and issues reports regarding liquidity risk and the ability to adhere to the policies and controls. In addition to providing analytical resources to top management including monitoring all the technical updates related to the measurements and liquidity risk and its application.

Geographical and sectorial distribution: the assets and liabilities of the Bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing customer and corporate credit. Furthermore, the Bank seeks to diversify the sources of funding and their maturity dates.

Cash reserves at the banking monitoring authorities: The Bank maintains a statutory cash reserve at the banking monitoring authorities amounting to JD 103,687,381.

First: The table below summarizes the undiscounted cash flows of the financial liabilities:

31 December 2020	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	No fixed maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities–								
Banks and financial institution deposits	118,251,207	20,028,338	-	-	-	-	-	138,279,545
Customers' deposits	574,869,123	206,358,057	266,904,949	439,326,438	225,811,248	3,764,592	-	1,717,034,407
Margin accounts	23,324,315	11,584,111	11,304,706	16,381,852	49,635,877	44,152,206	-	156,383,067
Loans and borrowings	79,458,853	36,293,866	3,376,180	26,092,573	140,675,029	62,865,522	-	348,762,023
Income tax provision	-	4,887,737	-	-	-	-	-	4,887,737
Deferred tax liabilities	-	-	-	-	-	-	2,815,978	2,815,978
Sundry provisions	-	-	-	3,415,781	-	-	102,700	3,518,481
Provisions against off - balance sheet items	-	-	-	-	-	-	4,360,854	4,360,854
The rights to use leased contracts	-	-	-	1,843,370	517,713	1,622,649	-	3,983,732
Other liabilities	42,984,459	1,862,101	2,432,585	2,573,614	1,211,117	141,081	-	51,204,957
Subordinated loans	-	-	-	-	-	38,286,000	-	38,286,000
Total Liabilities	**838,887,957**	**281,014,210**	**284,018,420**	**489,633,628**	**417,850,984**	**150,832,050**	**7,279,532**	**2,469,516,781**
Total Assets	**355,335,045**	**159,527,614**	**208,759,542**	**226,799,171**	**598,167,510**	**774,432,742**	**425,783,692**	**2,748,805,317**

31 December 2019	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	No fixed maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities–								
Banks and financial institution deposits	28,972,002	80,440,428	5,072,834	-	-	-	-	114,485,264
Customers' deposits	575,515,804	121,894,582	253,910,161	327,949,547	44,774,477	7,275,269	-	1,331,319,840
Margin accounts	42,742,334	14,666,703	11,562,828	11,458,362	50,468,488	43,700,358	-	174,599,073
Loans and borrowings	60,710,920	14,259,885	12,571,629	7,513,610	30,583,855	59,335,326	-	184,975,225
Income tax provision	-	6,850,303	-	-	-		-	6,850,303
Deferred tax liabilities	-	2,616,165	-	-	-	-	-	2,616,165
Sundry provisions	-	-	-	4,819,310	-	-	102,700	4,922,010
Provisions against off - balance sheet items	-	-	3,606,009	-	-	-	-	3,606,009
The rights to use leased contracts	-	-	-	244,232	562,541	2,981,107	-	3,787,880
Other liabilities	14,460,511	1,484,546	3,238,960	4,115,544	554,334	89,609	-	23,943,504
Subordinated loans	-	-	-	-	-	34,328,659	-	34,328,659
Total Liabilities	**722,401,571**	**242,212,612**	**289,962,421**	**356,100,605**	**126,943,695**	**147,710,328**	**102,700**	**1,885,433,932**
Total Assets	**283,240,648**	**105,247,593**	**78,474,807**	**127,077,439**	**420,785,293**	**723,586,321**	**447,961,897**	**2,186,373,999**

Second: The table below summarizes the maturities of financial derivatives as of the date of the consolidated financial statements:

Financial derivatives / liabilities which are settled in net include: foreign currency derivatives, off-the statement of Financial position items market currency options, currency futures, and on-statement of financial position foreign currency swap contracts:

Foreign Currency Derivatives

2020	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Total
	JD	JD	JD	JD	JD
Derivatives held for trading					
Outflows	23,355,010	30,007,353	39,260,855	1,820,595	94,443,813
Inflows	23,350,430	30,241,365	39,260,855	1,820,595	94,673,245
2020	**Up to 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**Total**
	JD	**JD**	**JD**	**JD**	**JD**
Derivatives held for trading					
Outflows	89,366,129	7,148,334	41,083,196	767,334	138,364,993
Inflows	89,374,668	7,174,983	40,853,258	802,410	138,205,319

Third: Off-the statement of Financial position items:

2020	Up to 1 year	1 – 5 years	Total
	JD	JD	JD
Acceptances and Letters of Credit	90,761,408	69,585,720	160,347,128
Unutilized credit limits	626,053	127,413,781	128,039,834
Letters of guarantee	146,285,015	-	146,285,015
Foreign Currency Forward Deals	94,673,245	-	94,673,245
Interest Forward Deals	-	106,350,000	106,350,000
Total	**332,345,721**	**303,349,501**	**635,695,222**
2019	**Up to 1 year**	**1 – 5 years**	**Total**
	JD	**JD**	**JD**
Acceptances and Letters of Credit	167,449,307	31,199,493	198,648,800
Unutilized credit limits	-	140,437,573	140,437,573
Letters of guarantee	136,633,582	-	136,633,582
Foreign Currency Forward Deals	138,205,319	-	138,205,319
Interest Forward Deals	-	106,350,000	106,350,000
Total	**442,288,208**	**277,987,066**	**720,275,274**

(47-4) Operational risk:

Operational risk is defined as the risk of loss arising from inadequate or failure of internal processes, human factor or systems, or resulting from external events. From a management perspective, this definition also includes legal risk, strategic risk and reputational risk for the purposes of managing these types of risk.

Due to the continuous change in the working environment and the management's desire to remain in-sync with all the technological advancements and to introduce new banking services and products. Operational Risk Policy has been designed and developed the Bank's departments, branches and its subsidiary, whereby the main principles are included and the policy's objectives are aligned with the Bank's strategic objectives. As a result Bank's strategies has been implemented to enhance the role of operational risk management which is represented by Operational Risk Management Framework, which includes all the bank's divisions, branches and subsidiaries. This requires determining, evaluating, supervising and rendering the operational risk to each branch separately as it is outlined in Basel committee accords through which control Risk Self Assessment (CRSA) made by:

1. Holding "Workshops" based on adopted analysis procedures and audit reports thus identifying risks, controls, and determine the regulatory gap through the matrix of risk, In this context, a model of "regulatory examinations" manager of the unit/ department/ branch or his representative "coordinator or responsible".
2. Building key risk indicator to cover all Bank and its branches.
3. Provide a mechanism to collect operational events and calculate expected losses based on the events using "Actuarial Model" thus determine the carrying capacity" Risk Appetite" at every level all alone.
4. Supervising over the renovation and development of a business continuity plan in the Bank and its subsidiaries.

From this point, the continuity and effectiveness of operational risk management is an integral part of the responsibilities of all those concerned in the applications in the Bank and on all levels through:

1. Adherence to regulatory examinations conducted by their schedules and without delay.
2. Showing the result of regulatory tests with transparency and accuracy.
3. Reporting and disclosing any losses or operating events without delay or hesitation.
4. Adopt and implement the recommendations "Remedial Actions/ Recommendations Mitigations" that are put forward by the operational risk unit, that would mitigate the risks identified through workshops/ Reporting of events or operating losses/ Regulatory examinations.
5. The role of the board of directors, Risk and compliance committee, Senior management, Audit department to activate the importance of operational risk and make it an integral part of the daily activities.

To ensure that the above is implemented, the operational risk management unit is keen on spreading knowledge and increasing awareness about operational risk management by conducting training courses and workshops for all Bank departments and by creating an effective work environment between the operational risk management unit and the concerned parties from each department. In addition, the operational risk management unit is responsible for raising reports to the Internal Risks Committee concerning any short comings or violations. This will ultimately lead to the development of risk profile at each department / unit level and the Bank level as a whole.

In addition to the above, the operational risk management unit is concerned with the following:

1. Reviewing the Bank's internal policies and procedures to highlight the associated risks and work on minimizing such risks prior to implementation.
2. Conducting stress testing and observing the results.
3. Internal assessment of capital with respect to operational risks in accordance with Central Bank of Jordan instructions.
4. Continuous development of the systems used to manage.
5. Continue the development of the integrated program for business continuity plans.

Information Security :

The responsibility of the Information Security / Risk management unit lies in ensuring security, availability and accuracy of the Banks information through the following:-

1. Developing an Information security program based on leading International standards (ISO 27k, PCI DSS), that is in line with the Bank's strategy.
2. Providing the tools and means necessary to reduce Information security risks.
3. Developing security policies related to Information systems and resources.
4. Continuous security awareness for the Bank's employees and ensuring their compliance to the security program.
5. Managing security incidents related to Information management systems and raising recommendations to Top Management.
6. Developing security standards for various Information systems.
7. Working on developing a business continuity plan to ensure business continuity in the event of any disaster.
8. Identifying the appropriate controls to mitigate the risks faced by the bank through analyzing various Information security risks.
9. Preparing and developing security measures related to Information systems security incidents.
10. Managing Information systems security incidents and raising relevant recommendations to Top Management.
11. Ensuring the security and Integrity of hardware, software and various applications through risk analysis and periodic testing to ensure safe use of these resources.

(48) Segment Information

1. Information about bank Activities:

For management purposes the Bank is organized into four major segments that are measured according to the reports used by the main decision maker at the Bank:

- **Retail banking:** Includes handling individual customers' deposits, credit facilities, credit card, and other services.
- **Corporate banking:** Includes monitoring deposits, credit facilities, and other banking facilities provided to corporate customers.
- **Corporate finance:** Principally arranging structured financing, and providing services relating to privatizations, IPOs, and mergers and acquisitions.
- **Treasury:** Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations.

These segments are the basis on which the Bank reports its segment information:

	Retail Banking	Corporate Banking	Corporate Finance	Treasury	Other	Total	
						2020	2019
	JD	JD	JD	JD	JD	JD	JD
Total revenue	28,196,483	77,367,136	7,090	65,920,922	3,583,419	175,075,050	155,300,782
Impairment losses on direct credit facilities	(4,697,809)	(18,951,043)	-	(54,806)	(841,756)	(24,545,414)	(7,009,725)
Segment results	(523,602)	25,242,474	7,090	58,647,901	2,741,663	86,115,526	86,651,317
Unallocated expenses						(48,108,012)	(49,522,459)
Profit before tax						**38,007,514**	**37,128,857**
Income tax						**(7,705,436)**	**(8,312,080)**
Net profit						**30,302,078**	**28,816,777**
Other information							
Segmental assets	337,267,423	1,078,221,032	-	1,124,451,994	208,864,868	2,748,805,317	2,186,373,999
Segmental liabilities	942,340,720	883,595,468	-	496,410,080	70,771,739	2,393,118,007	1,838,894,953
Capital expenditure						(20,988,878)	(15,456,752)
Depreciation and amortization						(6,347,745)	(6,056,762)

2. Geographical Information

This segment represents the geographical operations of the bank. The bank operates primarily in Jordan and also operates internationally in the Middle East, Europe, Asia, America and the Far-East.

The following table shows the distribution of the Bank's operating income and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Total revenue	151,478,242	131,535,663	23,596,808	23,765,119	175,075,050	155,300,782
Total assets	2,318,485,256	1,844,623	430,320,061	342,319,376	2,748,805,317	344,163,999
Capital expenditure	18,459,899	10,335,093	2,528,979	5,121,659	20,988,878	15,456,752

(49) Capital Management

The Bank maintains an appropriate paid-in-capital in order to meet its operational risk, and it regularly monitors its capital adequacy in accordance with BASEL to comply with the Central Bank of Jordan's regulations.

According to Central Bank of Jordan regulations (52/2010), the minimum paid-in-capital of Jordanian banks should be JD 100 million before the end of 2011 and the capital for the foreign banks in Jordan should not be less than half of the capital for the Jordanian banks in accordance to article (12) and article (8) from the Law and Banks number (28) for the year 2000 and its adjustments. In addition, the regulation requires a minimum leverage ratio of 4% as per article 67/2016 CBJ regulations.

Through its operational years; the Bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the Bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator; noting that the instructions impose a ratio of no less than 14%.

The Bank manages and restructures its capital in light of the changes in the business environment. There has been no change on the Bank's capital structure during 2020 and 2019.

Description of paid-in-capital

According to CBJ regulations regarding Basel III, regulatory capital comprises of:

1- Tier 1 capital, which refers to the Bank's core capital, and consists of:
   - Common Equity Tier 1 (CET1) which includes the following: (paid in capital, retained earnings, statutory and voluntary reserves, cumulative change in fair value, foreign currency translation adjustment, minority interest (recognizable under CET1)), it also includes the following deductions (year/period losses, goodwill and intangible assets, deferred tax assets, treasury stocks, shortage in required provisions, shortages in tier 2 capital, restricted balances, gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies and unconsolidated subsidiaries.
   - Additional Tier 1 (AT1), Additional Tier 1 capital consists of the sum of the following elements: (convertible bonds, preferred stocks, financial instruments issued by the bank and holds the characteristics of additional capital, minority interest (recognizable under AT1), it also includes the following deductions (gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.

2- Tier 2 capital, which is the supplementary capital, consists of the following elements; subordinated debt, general banking risk reserve and minority interest, and deducts the following; insignificant investments (<10%) and significant investments (>10%) in other banks, financial institution, insurance companies and unconsolidated subsidiaries.

The transition period for the deductions in tier 1 and tier 2 related to the investments in banks, financial institutions, insurance companies and unconsolidated subsidiaries occurs gradually over 5 years according to CBJ regulations. By the end of the year 2020, these deductions will be fully deducted from Tier 1.

Central Bank of Jordan emphasized on the importance of complying with Basel III regulation in building up addition capital as a percentage of risk weighted assets, which restricts cash dividends, through the following buffers:

1- Conservation Buffer
2- Countercyclical Buffer
3- D-SIBs

Regulatory Requirements for paid in capital

Capital adequacy ratio is calculated based on the simplified approach (standardized approach) in accordance with the regulations of the Central Bank of Jordan, which in turn are based on the verdicts of the Basel committee. Below are the comparative figures of the capital adequacy ratio:

	2020	2019
	JD	JD
Primary capital-		
Paid-in-capital	200,000,000	200,000,000
Statutory reserves	44,186,425	41,201,491
Additional paid in capital	709,472	709,472
Retained earning	77,133,920	54,476,878
Fair value reserve	3,619,029	736,559
Changes due to Foreign Currency translations	(16,540,837)	(5,223,143)
Non-controlling interest	20,469,481	21,061,431
Proposed cash dividends	(24,000,000)	-
Less-		
Intangible assets	21,705,921	20,002,960
Deferred tax assets	15,562,847	14,845,952
Investments at other financial institutions (banks, financial institutions and insurance companies)	30,079	34,334
Balances and deposits at Central Bank of Iraq	-	10,707,611
Treasury stocks	2,707,491	-
Total Primary capital	**265,571,152**	**267,371,831**
Supplementary Capital		
Impairment losses according to IFRS9 – Stage 1	3,396,826	5,980,252
Non-controlling interest	520,016	484,829
Subordinated loans	28,360,000	28,360,000
Investments at other financial institutions (banks, financial institutions and insurance companies)	**-**	**3,815**
Total Subordinated Capital	**32,276,842**	**481,014**
Net Supplementary Capital Tier 2	**32,276,842**	**32,596,280**
Total Regulatory Capital	**297,847,993**	**299,968,111**
Total Risk weighted assets	**1,826,310,338**	**1,629,814,001**
Capital adequacy (%)	16.31%	18.41%
Primary Capital (%)	14.54%	16.41%

(50) Fiduciary Accounts

Investment custody accounts amounted to JD 143,262,948 as of 31 December 2020 compared to JD 93,189,461 in 31 December 2019.

In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Bank (Horizon fund) in a fiduciary capacity amounting to JD 241,509 as of 31 December 2020 are segregated from the Bank's assets and are not included in the consolidated financial statements.

(51) 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:

2020-	Up to 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Banks	87,000,000	208,853,517	295,853,517
Balances at banks and financial institutions	142,537,265	-	142,537,265
Direct credit facilities at amortized cost, net	502,675,126	800,283,825	1,302,958,951
Loans and Advances at fair value through income statement	-	112,529,504	112,529,504
Direct credit facilities at fair value through other comprehensive income	142,454	89,434,680	89,577,134
Financial assets at amortized cost - net	21,327,146	542,557,311	563,884,457
Pledged Financial Assets	11,397,623	21,201,998	32,599,621
Property plants and equipment -net	-	34,940,997	34,940,997
Intangible assets -net	-	11,180,010	11,180,010
Deferred tax assets	-	15,562,847	15,562,847
The right to use leased contracts	515,289	3,427,750	3,943,039
Other assets	44,429,724	98,808,251	143,237,975
Total Assets	**810,024,627**	**1,938,780,690**	**2,748,805,317**
Liabilities			
Banks and financial institution deposits	138,058,853	-	138,058,853
Customers' deposits	1,039,775,590	634,437,216	1,674,212,806
Margin accounts	50,640,324	101,083,058	151,723,382
Loans and borrowings	144,094,685	185,896,542	329,991,227
Income tax provision	4,887,737	-	4,887,737
Deferred tax liabilities	2,815,978	-	2,815,978
Sundry provisions	3,518,481	-	3,518,481
Provision against off-balance sheet items	4,360,854	-	4,360,854
Obligations for lease contracts	1,843,370	2,140,362	3,983,732
Other liabilities	11,959,191	39,245,766	51,204,957
Subordinated loans	-	28,360,000	28,360,000
Total Liabilities	**1,401,955,063**	**991,162,944**	**2,393,118,007**
Net	**(591,930,436)**	**947,617,746**	**355,687,310**

2019-	Up to 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Banks	-	205,186,455	205,186,455
Balances at banks and financial institutions	98,268,335	-	98,268,335
Deposits at banks and financial institutions	403,875	-	403,875
Direct credit facilities at amortized cost, net	458,741,517	524,282,524	983,024,041
Financial assets at fair value through income statement	3,054,812	-	3,054,812
Loans and advances at fair value through income statement	-	108,831,500	108,831,500
Direct cerdit facilities at fair value through other comprehensive income	3,178,801	58,372,019	61,550,820
Financial assets at amortized cost - net	27,653,583	455,173,509	482,827,092
Pledged Financial Assets	-	47,490,484	47,490,484
Property plants and equipment -net	-	33,151,390	33,151,390
Intangible assets -net	-	20,002,960	20,002,960
Deferred tax assets	-	14,845,952	14,845,952
The right to use leased contracts	206,186	3,488,903	3,695,089
Other assets	39,740,662	84,300,532	124,041,194
Total Assets	**631,247,771**	**1,555,126,228**	**2,186,373,999**
Liabilities			
Banks and financial institution deposits	113,793,443	-	113,793,443
Customers' deposits	1,259,975,963	46,046,619	1,306,022,582
Margin accounts	80,066,401	88,943,165	169,009,566
Loans and borrowings	93,752,334	71,567,191	165,319,524
Income tax provision	6,850,303	-	6,850,303
Deferred tax liabilities	2,616,165	-	2,616,165
Sundry provisions	4,922,010	-	4,922,010
Provision against off-balance sheet items	3,606,009	-	3,606,009
Obligations for lease contracts	244,232	3,543,649	3,787,881
Other liabilities	34,022,202	585,268	34,607,470
Subordinated loans	-	28,360,000	28,360,000
Total Liabilities	**1,599,849,061**	**239,045,892**	**1,838,894,953**
Net	**(968,601,290)**	**1,316,080,336**	**347,479,046**

(52) Contingent Liabilities and Commitments (Off statement of financial position)

a) The total outstanding commitments and contingent liabilities are as follows:

	2020	2019
	JD	JD
Letters of credit	65,796,460	49,170,268
Confirmed Export Letters of credit	23,157,779	1,386,789
Acceptances	71,392,889	148,091,743
Letters of guarantee :		
- Payments	40,456,761	35,203,241
- Performance	62,134,208	59,969,364
- Others	43,694,046	41,460,977
Foreign currency forward	94,673,245	138,205,319
Interest rate forward contracts	106,350,000	106,350,000
Unutilized direct credit limits	128,039,834	140,437,573
Total	**635,695,222**	**720,275,274**
Less: Expected credit losses	(4,360,855)	(3,606,009)
Contingent Liabilities and Commitments– Net	**631,334,367**	**716,669,265**

b) The contractual commitments of the Bank are as follows:

	2020	2019
	JD	JD
Intangible assets contracts	15,348,491	27,223,033
Fixed assets contracts	434,512	1,626,357
Construction contracts	1,242,484	864,133
Total	**17,025,487**	**29,713,523**

Impairment loss on Letter of Credit

Distribution of letter of credit by categories of the Bank's internal credit rating:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	5,928,488	-	-	5,928,488
Acceptable risk / performing	82,052,773	972,978	-	83,025,751
Total	**87,981,261**	**972,978**	**-**	**88,954,239**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	9,898,711	-	-	9,898,711
Acceptable risk / performing	40,347,010	311,336	-	40,658,346
Total	**50,245,721**	**311,336**	**-**	**50,557,057**

The movement of Contingent Liabilities

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	50,245,721	311,336	-	50,557,057
Add: new balances during the year	57,947,962	664,336	-	58,612,298
Settled balances	(22,216,209)	(2,694)	-	(22,218,903)
Adjustments due to change in exchange rates	2,003,787	-	-	2,003,787
Net balance	**87,981,261**	**972,978**	**-**	**88,954,239**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	127,265,234	60,171	-	127,325,405
Add: new balances during the year	30,915,684	32,629	-	30,948,313
Settled balances	(107,691,939)	(24,722)	-	(107,716,661)
Transfer to second stage during the year	(243,258)	243,258	-	-
Net balance	**50,245,721**	**311,336**	**-**	**50,557,057**

The movement of the provision for impairment losses of Contingent Liabilities

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	908,600	43,238	-	951,838
Impairment loss of indirect credit facilities during the year	1,538,701	6,474	-	1,545,175
Impairment loss of matured exposures	(1,035,251)	(33,826)	-	(1,069,077)
Changes due to adjustments in foreign exchange rates	(54,557)	882	-	(53,675)
Net balance	**1,357,493**	**16,768**	**-**	**1,374,261**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	1,578,452	1,848	-	1,580,300
Impairment loss of indirect credit facilities during the year	615,731	34,553	-	650,284
Impairment loss of matured exposures	(1,276,899)	(1,847)	-	(1,278,746)
Transfer to second stage during the period	(8,684)	8,684	-	-
Net balance	**908,600**	**43,238**	**-**	**951,838**

Impairment loss on Letter of Guarantee

Distribution of letter of guarantee by categories of the Bank's internal credit rating:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	14,297,295	44,100	8,000	14,349,395
Acceptable risk / performing	118,444,413	8,216,176	97,464	126,758,053
Non- Performing				
Substandard	-	-	74,939	74,939
Doubtful	-	-	60,300	60,300
Loss	-	-	5,042,328	5,042,328
Total	**132,741,708**	**8,260,276**	**5,283,031**	**146,285,015**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	46,739,139	358,849	-	47,097,988
Acceptable risk / performing	76,085,217	5,702,312	230,886	82,018,415
Non- Performing				
Substandard	-	-	2,791,506	2,791,506
Doubtful	-	-	60,500	60,500
Loss	-	-	4,665,173	4,665,173
Total	**122,824,356**	**6,061,161**	**7,748,065**	**136,633,582**

The movement of letters of guarantee

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	122,824,356	6,061,161	7,748,065	136,633,582
Add: new balances during the year	39,599,307	592,798	5,895	40,198,000
Settled balances	(25,230,576)	(829,999)	(2,747,013)	(28,807,588)
Transfer to the first stage during the year	461,922	(411,229)	(50,693)	-
Transfer to second stage during the year	(860,841)	3,240,448	(2,379,607)	-
Transferred to the third stage during the year	(2,323,996)	(392,903)	2,716,899	-
Adjustments due to change in exchange rates	(1,728,464)	-	(10,515)	(1,738,979)
Net balance	**132,741,708**	**8,260,276**	**5,283,031**	**146,285,015**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	118,804,436	4,020,954	12,222,918	135,048,308
Add: new balances during the year	43,617,180	1,144,361	521,879	45,283,420
Settled balances	(35,750,990)	(1,647,158)	(6,299,998)	(43,698,146)
Transfer to the first stage during the year	948,843	(670,979)	(277,864)	-
Transfer to second stage during the year	(2,457,233)	3,223,983	(766,750)	-
Transferred to the third stage during the year	(2,337,880)	(10,000)	2,347,880	-
Net balance	**122,824,356**	**6,061,161**	**7,748,065**	**136,633,582**

The movement of the provision for impairment losses of letters of guarantee

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	623,764	120,798	20,145	764,707
Impairment loss of indirect credit facilities during the year	1,119,076	216,388	-	1,335,464
Impairment loss of matured exposures	(302,466)	(37,622)	(104,052)	(444,140)
Transfer to the first stage during the year	10,191	(9,397)	(794)	-
Transfer to second stage during the year	(14,840)	14,840	-	-
Transferred to the third stage during the year	(567,804)	-	567,804	-
Adjustments due to change in exchange rates	(39,836)	-	(10,291)	(50,127)
Net balance	**828,085**	**305,007**	**472,812**	**1,605,904**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	699,568	107,572	-	807,140
Impairment loss of indirect credit facilities during the year	127,035	52,665	20,145	199,845
Impairment loss of matured exposures	(175,505)	(66,773)	-	(242,278)
Transfer to the first stage during the year	1,691	(1,691)	-	-
Transfer to second stage during the year	(29,025)	29,025	-	-
Net balance	**623,764**	**120,798**	**20,145**	**764,707**

Impairment loss on Acceptances

Distribution of acceptances by categories of the Bank's internal credit rating:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	13,213,399	-	-	13,213,399
Acceptable risk / performing	57,660,691	518,799	-	58,179,490
Total	**70,874,090**	**518,799**	**-**	**71,392,889**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	62,549,115	-	-	62,549,115
Acceptable risk / performing	83,701,485	1,841,143	-	85,542,628
Total	**146,250,600**	**1,841,143**	**-**	**148,091,743**

The movement of acceptances

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	146,250,600	1,841,143	-	148,091,743
Add: new balances during the year	34,904,904	518,799	-	35,423,703
Settled balances	(107,783,149)	(1,631,774)	-	(109,414,923)
Adjustments due to change in exchange rates	(2,498,265)	(209,369)	-	(2,707,634)
Net balance	**70,874,090**	**518,799**	**-**	**71,392,889**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	58,619,874	11,985,369	-	70,605,243
Add: new balances during the year	103,676,201	-	-	103,676,201
Settled balances	(14,204,332)	(11,985,369)	-	(26,189,701)
Transfer to second stage during the year	(1,841,143)	1,841,143	-	-
Net balance	**146,250,600**	**1,841,143**	**-**	**148,091,743**

The movement of the provision for impairment losses

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	1,433,375	161,017	-	1,594,392
Impairment loss of indirect credit facilities during the year	1,172,505	3,894	-	1,176,399
Impairment loss of matured exposures	(1,655,916)	(165,440)	-	(1,821,356)
Adjustments due to change in exchange rates	51,369	4,424	-	55,793
Net balance	**1,001,333**	**3,895**	**-**	**1,005,228**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	519,508	783,953	-	1,303,461
Impairment loss of indirect credit facilities during the year	1,337,476	157,134	-	1,494,610
Impairment loss of matured exposures	(423,609)	(780,070)	-	(1,203,679)
Net balance	**1,433,375**	**161,017**	**-**	**1,594,392**

Impairement loss on Unutilized direct credit limits

Distribution of unutilized direct credit limits by categories of the Bank's internal credit rating:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	67,126,390	141,201	-	67,267,591
Acceptable risk / performing	57,040,492	3,710,866	20,885	60,772,243
Total	**124,166,882**	**3,852,067**	**20,885**	**128,039,834**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	35,856,324	300,000	5,958	36,162,282
Acceptable risk / performing	101,818,185	2,444,057	6,828	104,269,070
Non-performing				
Substandard	-	-	6,153	6,153
Doubtful	-	-	68	68
Total	**137,674,509**	**2,744,057**	**19,007**	**140,437,573**

The movement of unutilized direct credit limits

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	137,674,509	2,744,057	19,007	140,437,573
Add: new balances during the year	15,427,310	3,690,352	20,886	19,138,548
Settled balances	(28,726,097)	(2,663,921)	(19,008)	(31,409,026)
Transfer to second stage during the year	(85,512)	85,512	-	-
Adjustments due to change in exchange rates	(123,328)	(3,933)	-	(127,261)
Net balance	**124,166,882**	**3,852,067**	**20,885**	**128,039,834**
31 December 2019	**Stage One**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance as at 1 January 2019	102,665,427	2,418,880	840,624	105,924,931
Add: new balances during the year	45,645,819	1,849,324	19,007	47,514,150
Settled balances	(10,637,660)	(1,523,224)	(840,624)	(13,001,508)
Transfer to the first stage during the year	923	(923)	-	-
Net balance	**137,674,509**	**2,744,057**	**19,007**	**140,437,573**

The movement of the provision for impairment losses of unutilized direct credit limits

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	116,747	178,326	-	295,073
Impairement loss of indirect credit facilities during the year	289,124	47,002	-	336,126
Impairement loss of matured exposures	(82,076)	(170,018)	-	(252,094)
Transfer to second stage during the period	(25,373)	25,373	-	-
Adjustments due to change in exchange rates	1,481	(5,124)	-	(3,643)
Net balance	**299,903**	**75,559**	**-**	**375,462**
31 December 2019	**Stage One**	**Stage Two**	**Stage Three**	**Total**
	JD	**JD**	**JD**	**JD**
Balance as at 1 January 2019	103,539	129,495	-	233,034
Impairement loss of indirect credit facilities during the year	74,183	134,231	-	208,414
Impairement loss of matured exposures	(60,990)	(85,385)	-	(146,375)
Transfer to the first stage during the period	15	(15)	-	-
Net balance	**116,747**	**178,326**	**-**	**295,073**

Expected credit loss on indirect credit facilities

Distribution of indirect credit facilities subject to IFRS 9 by categories of the Bank's internal credit rating:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	100,565,572	185,301	8,000	100,758,873
Acceptable risk / performing	315,198,369	13,418,819	118,349	328,735,537
Non- Performing				
Substandard	-	-	74,939	74,939
Doubtful	-	-	60,300	60,300
loss	-	-	5,042,328	5,042,328
Total	**415,763,941**	**13,604,120**	**5,303,916**	**434,671,977**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Low risk / performing	155,043,289	658,849	5,958	155,708,096
Acceptable risk / performing	301,951,897	10,298,848	237,714	312,488,459
Non- Performing				
Substandard			2,791,506	2,791,506
Doubtful	-	-	66,653	66,653
loss	-	-	4,665,241	4,665,241
Total	**456,995,186**	**10,957,697**	**7,767,072**	**475,719,955**

The cumulative movement of indirect credit facilities subject to IFRS 9 calculation:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	456,995,186	10,957,697	7,767,072	475,719,955
Add: new balances during the year	147,879,483	5,466,285	26,781	153,372,549
Settled balances	(183,956,031)	(5,128,388)	(2,766,021)	(191,850,440)
Transfer to the first stage during the year	461,922	(411,229)	(50,693)	-
Transfer to second stage during the year	(946,353)	3,325,960	(2,379,607)	-
Transferred to the third stage during the year	(2,323,996)	(392,903)	2,716,899	-
Adjustments due to change in exchange rates	(2,346,270)	(213,302)	(10,515)	(2,570,087)
Net balance	**415,763,941**	**13,604,120**	**5,303,916**	**434,671,977**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	407,354,971	18,485,374	13,063,542	438,903,887
Add: new balances during the year	223,854,884	3,026,314	540,886	227,422,084
Settled balances	(168,284,921)	(15,180,473)	(7,140,622)	(190,606,016)
Transfer to the first stage during the year	949,766	(671,902)	(277,864)	-
Transfer to second stage during the year	(4,541,634)	5,308,384	(766,750)	-
Transferred to the third stage during the year	(2,337,880)	(10,000)	2,347,880	-
Net balance	**456,995,186**	**10,957,697**	**7,767,072**	**475,719,955**

The cumulative movement of the provision for impairment losses of indirect credit facilities:

31 December 2020	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2020	3,082,487	503,377	20,145	3,606,009
Impairment loss of indirect credit facilities during the year	4,119,406	273,758	-	4,393,164
Impairment loss of matured exposures	(3,075,709)	(406,906)	(104,052)	(3,586,667)
Transfer to the first stage during the year	10,191	(9,397)	(794)	-
Transfer to second stage during the year	(40,213)	40,213	-	-
Transferred to the third stage during the year	(567,804)	-	567,804	-
Adjustments due to change in exchange rates	(41,543)	182	(10,291)	(51,652)
Net balance	**3,486,815**	**401,227**	**472,812**	**4,360,854**

31 December 2019	Stage One	Stage Two	Stage Three	Total
	JD	JD	JD	JD
Balance as at 1 January 2019	2,901,068	1,022,866	-	3,923,934
Impairment loss of indirect credit facilities during the year	2,154,425	378,583	20,145	2,553,153
Impairment loss of matured exposures	(1,937,003)	(934,075)	-	(2,871,078)
Transfer to the first stage during the year	1,706	(1,706)	-	-
Transfer to second stage during the year	(37,709)	37,709	-	-
Net balance	**3,082,487**	**503,377**	**20,145**	**3,606,009**

The expected credit losses for commitments and contingent liabilities - in the third stage, were calculated within the expected credit losses of direct credit facilities at amortized cost

(53) Lawsuits against the Bank

- The lawsuits raised against the Bank, as part of the ordinary course of business, amounted to JD 25,382,777 as at 31 December 2020 against JD 25,371,367 as at 31 December 2019. According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases, excluding a lawsuit for JD 102,700.
- The lawsuits raised against National Bank of Iraq, as part of the ordinary course of business, amounted to JD 1,499,467 as at 31 December 2020 against no lawsuits as at 31 December 2019.
- No lawsuits were raised against Capital Investment and Brokerage Company Ltd/Jordan, as part of the ordinary course of business as at 31 December 2020 as well as at 31 December 2019, as they were all settled by 31 of December 2018.

(54) Comparative Figures:

Some of 2019 balances were reclassified to correspond with 2020 presentation. The reclassification did not have any effect on profits or equity for 2019.

(55) Other Disclosures

a) Bank Audi purchase agreement, Jordan and Iraq branches

Bank Audi purchase agreement, the Jordan branch and the Iraq branch Prior to mid-September of the year 2020, the group signed a non-binding and exclusive “Letter of Intent” agreement to acquire the banking business of the Lebanese Bank Audi branches in Jordan and Iraq and purchase its assets and liabilities. At the end of December 2020, the bank signed an exclusive purchase agreement with the management of Bank Audi in Lebanon, after taking the necessary approvals from the Central Bank of Jordan and the Central Bank of Iraq, and the bank is still completing studies and evaluation to complete this process. The bank's management expects the completion of this acquisition by the end of the first quarter of 2021.

b) Devaluation of the Iraqi Dinar

The Central Bank of Iraq reduced the exchange rate of the Iraqi dinar to the dollar to 1460 instead of 1190, which resulted in differences in the exchange rates shown in the financial statements clarifications, as the differences in foreign currency translation apparent in equity decreased by about 19 million Jordanian dinars.

c) Effect of COVID-19 on the Financial Statements

The emergence and spread of the new Corona virus (Covid-19) was confirmed in early 2020, which affected commercial and economic activities. In response, governments and central banks launched economic support measures and relief actions (deferred payments) to reduce the impact on individuals and companies.

When determining the expected credit losses for the first quarter of 2020, the group took into consideration (according to the best available information) the uncertainties about the Covid-19 epidemic and the economic support measures and relief work from the Jordanian government and the Central Bank of Jordan, and the group also took into consideration the instructions issued by the Central Bank of Jordan (No. 10/3/4375 issued on March 15, 2020) and the guidelines issued by the International Accounting Standards Board on March 27, 2020 related to the classification of stages due to the existence of a substantial increase in credit risk (SICR).

Determining if there has been a material increase in credit risk (SICR) for IFRS 9

Financial assets at amortized cost are transferred from the current stage to the next if they result from a material increase in credit risk, in accordance with the requirements of IFRS 9. A material increase in credit risk occurs when there is a material increase in the risk of default over the life course. Projected financial instrument.

The Group continues to evaluate various indicators that may indicate the possibility of non-payment to borrowers, taking into account the main cause of financial difficulty that the borrower faces, to determine whether the cause is temporary as a result of Covid-19 or for a longer period as a result of the borrower's financial situation.

The Group started implementing a payment deferral program for its customers working in the highly vulnerable sectors by delaying the interest amount and the original installment due for a period of one to three months. These postponements are short-term liquidity to handle borrowers' cash flow matters. The deferrals provided to customers may indicate a material increase in credit risk. However, the Group believes that extending the period of these postponements does not automatically mean the existence of a material increase in credit risk, which calls for the transfer of the borrower to the next stage for the purposes of calculating expected credit losses. The deferred payment process aims to provide assistance to borrowers affected by the COVID-19 outbreak to regularly resume payments. Whereas, the Group continues to collect sufficient information to enable differentiating between the short-term financial difficulties associated with COVID-19 from those associated with the substantial increase in credit risk to borrowers over the life of the financial instrument. This approach is consistent with the expectations of the Central Bank of Jordan as indicated in its circular (No. 10/3/4375 issued on March 15, 2020) which did not consider the arrangements related to the affected sectors during this period as rescheduling or restructuring credit facilities during the period for the purpose of evaluating Significant increase in credit risk, and accordingly these postponements were not considered to be an amendment of contract terms

Probability and likelihood

Despite the continuous assessment of the impact of the Covid-19 epidemic, the changes made to the expected credit losses based on macroeconomic indicators reflect an acceptable degree of expectations and the outlook for this impact.

When preparing statements of expected credit losses as on December 31, 2020, the governmental measures supporting the mitigation of the impact of Covid-19 in some sectors were taken into consideration in addition to applying judgment and estimation in the progress classification of specific sectors and customers who have a good knowledge of their financial position and the extent of their vulnerability to The outbreak of the Covid-19 epidemic, which led to the classification of some of these customers within a more stringent stage, and the reason for this classification for these customers is due to the cessation of production, the decline in supply and demand, and the losses resulting from the disruption of the business of these companies as a result of the comprehensive ban and the suspension of foreign trade and export operations due to the closure of the border ports For the kingdom.

When studying the impact of the Coronavirus, on some affected sectors, the group took into account many negative factors, including:

1. The impact on tourism revenues
2. The impact on remittances of expatriates
3. Impact on external grants
4. The overall impact on the current account

On the other hand, a number of positive factors were taken into consideration, including:
1. Low oil prices
2. Initiatives of the Central Bank of Jordan and the Jordan Loan Guarantee Corporation
3. Central Bank instructions regarding postponement of loan installments and interest
4. Governmental initiatives and the Social Security Corporation
5. Reducing interest rates
6. Enhancing the Central Bank of Jordan's liquidity (including reducing the cash reserves ratio)

As a result of studying the impact of the Covid-19 epidemic, the group made the following adjustments, which led to an increase in the expected credit losses for the period:

1. The probability ratio of the (Base Case) level for economic indicators reached (60%), while the (Downside) and (Upside) levels reached (40%) and (0%) respectively.
2. Amending the risk assessment of the affected economic sectors as a result of the Covid-19 epidemic, as the assessment of their risks in most of them increased to approach (High risks)
3. Adjustment of the probability of default rate (PD%) associated with assessing the risks of each economic sector, in line with expectations of high default rate and the fulfillment of economic factors scenarios
4. Adjustment of loss on default rates (LGD%), as deductions and the expected recovery period increased for real estate guarantees, auto and machinery mortgages, and pledged stocks.

As of December 31, 2020, the group will studytudied the macroeconomic impact of Covid-19 according to the information available at the time. As amendments were made to the classification of the stages of borrowers of specific sectors (companies and individuals) that were more exposed to the Covid-19 epidemic, such as the tourism sector, the restaurant sector, the transport sector, the car trade, car parts and some industrial sectors, which led to an increase in the expected credit losses for the period.

The Group will continue to reassess its position and the associated impact on a regular basis, and as with any economic forecast, expectations and possibilities are subject to a high degree of uncertainty and thus actual results may differ significantly from those expected. Management expects greater clarity on the impact of Covid-19 on the outcome of the group's business and the size of expected credit losses and the impact on liquidity during 2021.

Statements of the Requirements of the Securities Commission

A. Message from the Chairman

Included in the beginning of the annual report.

B. Board of Directors' Report

Included in the beginning of the annual report.

C. Description of the Bank's Main Activities

Capital Bank offers all banking and financial products and services directed towards all economic sectors in Jordan through its branches in the Hashemite Kingdom of Jordan. In addition, the bank provides a number of investment and financial brokerage services through Capital Investments, a subsidiary that is wholly owned by Capital Bank, with a capital of JD10 million. It is also an investor in the National Bank of Iraq, which has a capital of IQD250 billion, 61.85% owned by Capital Bank. Furthermore, Capital Bank owns Capital Investments Ltd., headquartered at the DIFC, which specializes in providing investment and enterprise financing consulting services.

D. Bank's Locations and Number of Employees

Capital Bank, Jordan Capital Investment and Financial Brokerage Company, Capital Investments Company (DIFC), and the National Bank of Iraq employ 1047 people distributed over the following geographic locations:

Location	Address	Number of Employees
Headquarters	Amman	512
Capital Investments	Amman	42
Main Branch	Amman	8
Irbid Branch	Irbid	8
Capital Select	Amman	15
Gardens Street Branch	Amman	9
New Zarqa Branch	New Zarqa	6
Zarqa Free Zone Branch	Zarqa Free Zone	3
Sweifieh Branch	Amman	8
Aqaba Branch	Aqaba	8
Al-Madina Al-Munawwara Branch	Amman	8
Al-Wehdat Branch	Amman	6

Location	Address	Number of Employees
Taj Mall Branch	Amman	10
Dabouq Branch	Amman	8
Majdi Mall Branch	Amman	8
Capital Investments Company (DIFC)	Dubai	1
National bank of Iraq	Iraq	387
Total		**1047**

The bank does not operate any branches outside the Kingdom.

1. Capital Bank's Capital Investments

The bank's capital investments amounted to JD46,121,007, representing a net value of assets, equipment, and non-tangible assets as at December 31, 2020.

2. Subsidiary Companies

Subsidiary Company	Capital Investment Company	National Bank of Iraq	Capital Investments Company	Bahrain Investment Fund Company
Company Type	Limited Liability	Public Shareholding	Limited Liability	Bahrain Shareholding (Closed)
Company Activity	Investment and Financial Brokerage	Banking	Consultancy	Founding of Investment Funds
Company Capital	JD10 Million	IQD250 Billion	$250,000	BHD1,000
Address of Subsidiary Company	Amman - Shmeisani	Iraq	Dubai, UAE International Financial Center	Bahrain
Other Information	-	-	-	Activities have not yet been initiated

3. Brief Introduction of Chairman and Members of the Board of Directors

H.E. Mr. Bassem Khalil Salem Al-Salem

Position: Chairman of the Board of Directors
Date of Birth: June 19, 1956
Nationality: Jordanian
Membership Date: April 20, 2010

Education:
Mr. Al-Salem holds a bachelor's degree with honors in Chemical

Engineering from Imperial College, United Kingdom.
Current Positions: Chairman of the Board of Directors of King's Academy; General Manager and Chairman of the Board of Directors of Al-Khalil Company for Investments; Chairman of the Board of Directors of Capital Investments and Brokerage Jordan; Chairman of the Board of Directors of the National Bank of Iraq. He is a board member of Al-Quds University, the Orthodox Society, Masader, Canning and Packaging Industries Company, General Mining Company, Royal Jordanian and Capital Investments (DIFC) - Dubai.

Experience:
Mr. Al-Salem has extensive experience in the public sector and was a member of the Jordanian Senate. He was also a member of the Board of Directors of the Central Bank of Jordan, Minister of Finance, Minister of Labor from 2005 to 2009, Chairman of the Board of Directors of the Jordanian Association of Banks, and Chairman of the Board of Directors of the Social Security Corporation. He founded and directed the boards of a number of companies in the private sector.

Mr. Mazen Samih Taleb Darwazah

Position: Vice-Chairman of the Board of Directors
Date of Birth: June 5, 1958
Nationality: Jordanian
Membership Date: March 23, 2011

Education:
Mr. Darwazah has a BA in Business Administration from the Lebanese American University in Beirut (LAU), a Diploma in Advanced Management from INSEAD Business School, and a higher diploma in Marketing from Boston University.

Current Positions:
Executive Vice Chairman of the Board of Directors and Chief Executive Officer of Hikma Pharmaceuticals Company (Middle East and North Africa), Chairman of the Board of Directors of Trust Pharma Ltd. (Algeria), Chairman of Ixirco Pharma Ltd. (Sudan), Board Member of Darhold, Birzeit University, King's Academy, Economic Policies Council, Ibn Al-Bitar Company (Tunisia), and PromoPharma Company (Morocco).

Experience:
Executive Vice Chairman of the Board of Directors and Chief Executive Officer of Hikma Pharmaceuticals Company (Middle East and North Africa), member of the Jordanian Senate from 2010 to 2013, Chairman of Trust Pharma Ltd. (Algeria) and Ixirco Pharma Ltd (Sudan).

Social Security Corporation
Ms. Shaden Ziyad Nabih "Darwish Al-Haji"

Position: Representative board member of the Social Security Corporation
Date of Birth: September 19, 1981
Nationality: Jordanian
Membership Date: August 31, 2009

Education:
BA in Financial and Banking from the University of Jordan, Certified Financial Analyst (CFA) from the CFA Institute in USA, and she holds Board of Directors Certificate from JIOD in corporate with International Corporation the member of the World Bank Group.

Current Positions:
Director of the Private Shareholder Portfolio Section, Member of the CFA Society in Jordan.

Experience:
Numerous positions at the Investment Fund of the Social Security Corporation since 2003. Financial analyst at the Stocks Investment Department between 2003 and 2007, Senior Financial Analyst from 2007 to 2010, Director of the Portfolio Management Section, Stock Investment Department from 2010 to 2019.

Investment and Integrated Industries Co (Holding)
Mr. Omar M. I. Shahrour

Position: Representative board member of the Investment and Integrated Industries Co (Holding)
Date of Birth: April 17, 1967
Nationality: Jordanian
Membership Date: August 31, 2009

Education:
Mr. Shahrour has a bachelor's degree in Accounting from the University of Jordan, an MBA in Finance from Wayne State University in Detroit, Michigan, and he has CPA from Colorado, USA.

Experience:
Mr. Shahrour has held a number of positions throughout his career, including accountant at Haddad Company in the United States, internal auditor and financial controller of Edgo Group, financial auditor then financial manager at Coca-Cola in Jordan, and CFO of Fine Sanitary Paper Company.

Hitaf Investment Company
Mr. "Mohammed Ali" Khaldoun Sati" Al-Husry

Position: Representative board member of Hitaf Investment Company
Date of Birth: April 20, 1957
Nationality: Jordanian
Membership Date: August 31, 2009
Education: Mr. Al-Husry has a bachelor's degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD Business School in France.
Current Positions: Non-executive member of the Board of Directors of Hikma Pharmaceuticals.
Experience: Mr. Al-Husry served as chairman of the Board of Directors of Capital Bank of Jordan from 1995 to 2007 and he is a member of the Board of Directors of several companies including Hikma Pharmaceuticals, Women's Fund, Darhold, Alcazar Energy, and Endeavor Jordan.

Al-Khalil Company for Investments
Mr. Khalil Hatem Khalil Al-Salem

Position: Representative board member of Al-Khalil Company for Investments
Date of Birth: December 28, 1982
Nationality: Jordanian
Membership Date: August 31, 2009

Education:
Mr. Al-Salem has a bachelor's degree in Economics from Columbia University.

Current Positions:
Financial director of Al-Majal Energy Services Company, vice CEO of Iraq Logistics Ventures Ltd and secretary general of the West Asian Football Federation

Experience:
Mr. Al-Salem previously served as the director of the Office of His Royal Highness Prince Ali Bin Al-Hussein. He began his career as a financial analyst at J.P. Morgan in New York, then as a financial analyst and business development manager at Capital Investment & Brokerage - Jordan Ltd Co. He also worked as a financial analyst for Midrar Investments.

Al-Jadara Company for Real Estate Investment
Mr. Sultan Bin Mohammed M. Al Seif

Position: Representative of board member Al-Jadara for Real Estate Investment
Date of Birth: March 3, 1985
Nationality: Saudi Arabian
Membership Date: August 31, 2009

Education:
Mr. Al Seif has a bachelor's degree in Finance from Roger Williams University.

Current Positions:
General Manager of Al Seif Corporation

Experience:
Mr. Al Seif worked as a financial analyst at UME Investment and Morgan Stanley, he is a board member of several companies including Oman Medical Projects Company, Al-Musa'id Elseif Co. and Sons, Care Shield Holding Company and United Medical Enterprises Group.

Arab Potash Company

Mr. Jamal Ahmad Muflih Al Sarayrah

Position: Representative of board member Arab Potash Company
Date of Birth: August 10, 1954
Nationality: Jordanian
Membership Date: May 31, 2020

Education:
Mr. Al Sarayrah has a bachelor's degree in English Language from the University of Kuwait and a Higher Diploma in International Law and Relations from Wales University.

Current Positions:
Member of the Senate

Experience:
Mr. Al Sarayrah was elected a member to the first Jordanian parliament in 1989. He was appointed a member to the Royal Commission for drafting the Jordanian National Charter. He held the positions of Minister of Transportation, then Minister of Post and Communications, and then Chairman of the Board of Directors of the Jordanian Telecommunications Corporation between 1991 and 1999. He worked at FLAG company, which was later renamed Reliance-Globalcom. He has held memberships in local and regional vocational board and chaired boards of directors of several national institutions in the transportation sector.

Mr. Omar Akram Omran Bitar

Position: Member of the Board of Directors
Date of Birth: July 28, 1963
Nationality: Palestinian
Membership Date: June 4, 2015

Education:
Mr. Bitar has a bachelor's degree in Finance and Banking from the University of Missouri in St. Louis.

Current Positions:
Board Member of the Arab Society for Orphans.

Experience:
Mr. Bitar has long experience in auditing at major companies, institutions, banks and as well as various other sectors. He has also worked in international restructuring projects for companies and institutions, running change management and business transformation in major international companies.

Ms. Reem Haitham Jamil Goussous

Position: Member of the Board of Directors
Date of Birth: November 16, 1971
Nationality: Jordanian
Membership Date: June 4, 2015

Education:
Ms. Goussous has a bachelor's degree in Economics and a master's degree in Economic Development and International Trade from Boston University, USA.

Current Positions:
CEO of Endeavor Jordan, board member of the Jordan River Foundation

Experience:
Ms. Goussous has more than 20 years of experience in the economic and financial fields in which she has built a successful record in economic impact analysis, the formulation of economic development policies, strategies, research and market data, investment development and exports. She participated in economic feasibility studies of projects in the financial, manufacturing, mining and renewable energy sectors. She was the first director and chief economic consultant at Al-Jadara Company and has served as policy advisor to the Minister of Planning and International Cooperation.

Mr. Khalid Walid Hussni Nabilsi

Position: Member of the Board of Directors
Date of Birth: February 20, 1972
Membership Date: May 24, 2017

Education:
Mr. Nabilsi has a bachelor's degree in Economics and Administrative Sciences from the University of Jordan, an MBA from the University of Hull and he holds a CPA.

Current Positions:
Head of Financial Control Department at Hikma Pharmaceuticals.

Experience:
Before assuming his current post, Mr. Nabilsi held strategic administrative posts in Hikma Pharmaceuticals' financial management. He was a main member in the team that organized the company's public underwriting in 2005. He obtained experience in mergers and acquisitions when working with Corporate Finance at Atlas Investment Group - AB Invest. He also occupied several positions at financial management and accounting, and consultation. He carried international auditing operations while working with Arthur Andersen - Amman.

Mr. Mohammad Hasan Subhi AlHaj Hasan

Position: Member of the Board of Directors

Date of Birth: August 16, 1981

Nationality: Jordanian

Membership Date: May 24, 2017

Education:

Mr. AlHaj Hasan has a bachelor's degree in Finance and Microeconomics from Massachusetts Institute of Technology (MIT), a Master of Business Administration and a Master's in Education from Stanford Graduate School.

Current Positions:

Chairman of the board and CEO of Jawaker. Board member of Akhtaboot Company

Experience:

Mr. AlHaj Hasan worked as a financial analyst in the corporate purchasing and mergers department of Dresdner Kleinwort Wasserstein. He also served as vice general manager of Rasmala, a company registered in Dubai that works in investments and fundraising. He founded Akhtaboot, an employment and talent acquisition company in the Gulf and the Middle East, and Jawaker, an electronic gaming company.

4. Meetings of the Board of Directors and Board Committees in 2020

Included within the Corporate Governance Report

5. Capital Bank Executive Management

Members of the senior executive management team include:

Mr. Dawod M. D. Al Ghoul

Position: Chief Executive Officer
Date of Birth: May 25, 1971
Nationality: Jordanian
Membership Date: March 12, 2020

Education:
Mr. Al Ghoul has a bachelor's degree in Accounting from the University of Jordan and MBA from the University of Colorado. He is a certified public accountant (CPA).

Experience:
Mr. Al Ghoul has worked for more than 22 years in financial and strategic planning, as well as investments and financial restructuring. He began his career in 1995 as an auditor at Arthur Andersen in Dubai, UAE, and then at Schlumberger, Dubai as assistant financial director for the MENA region and the Indian subcontinent. He then moved to KPMG in Dallas, Texas, as a financial advisor in international taxation. In 2003, he joined the Arab Bank Group as vice chief financial officer. In 2008, he took over as executive vice president of planning and investment for the same group, during which time he led and developed the group's financial plans. In 2012, he took over the position of chief financial officer of the Arab Bank Group and later as CFO at Amanat Holding Company - Dubai.

Yasser Ibrahim Mohammad Kleib

Position: Head of Institutional Banking
Date of Birth: October 27, 1974
Nationality: Jordanian
Membership Date: March 8, 2009

Education:
Mr. Kleib has a bachelor's degree in Business Administration from Yarmouk University and is a Certified Lender Business Banker (CLBB) with the American Bankers Association.

Experience:
Mr. Kleib has over 20 years of experience in commercial and institutional development. He joined Capital Bank in 2004 and began his career in the Banking Services and Credit Facilitations Department. Previously, he worked at the Arab Bank for eight years.

Ali Mohammad Daoud Abu Swai

Position: Chief Treasury & Investments Officer
Date of Birth: February 2, 1962
Nationality: Jordanian
Membership Date: August 9, 1997

Education:
BA and master's degrees in Finance and Banking.

Experience:
Mr. Abu Swai has more than 24 years of experience in financial markets and banking, treasury and investment operations. He served as the president of the Dealers Association from 2010 until 2017 and is a member of the Board of Directors of the Investment Fund of the University of Jordan. He is Jordan's representative to the Arab Union of Dealers in Financial Markets, and previously worked for Amman Investment Bank for five years.

Manar Mohammad Abdulhalim AlNsour

Position: Chief Financial Officer
Date of Birth: September 20, 1979
Nationality: Jordanian
Membership Date: July 3, 2016

Education:
Bachelor's degree in Accounting from the University of Jordan.

Experience:
Ms. Al Nsour has close to 17 years of practical experience, having held various managerial positions at Capital Bank before she assumed the role of chief financial officer as of July 30, 2016.

Falah Hasan Khalil Kokash

Position: Chief Risk Officer
Date of Birth: August 1, 1967
Nationality: Jordanian
Membership Date: September 9, 2012

Education:

Mr. Kokash holds a Bachelor's degree in Finance and Banking and a Master's degree in Financial Management from Yarmouk University, as well as a number of professional certificates including Financial Risk Management (FRM), International Certificate in Banking Risk and Regulation (ICBRR), Certified Management Accountant (CMA), Certified Financial Management (CFM), and a Certified Lender Business Banker (CLBB) in commercial banks.

Experience:

Mr. Kokash has over 21 years of experience in the financial sector. He has held several leadership positions in risk management and credit analysis and has worked for several banks including the Bank of Jordan, Ahli Bank, Istithmari Bank and Al-Bilad Bank in Saudi Arabia.

Mohammad Hafez Abdul-Karim Mua'z

Position: Legal Counselor
Date of Birth: October 27, 1969
Nationality: Jordanian
Membership Date: February 6, 2003

Education:

Mr. Muaz holds a Bachelor of Law from the University of Jordan, a higher diploma in International Law and a master's degree in Commercial Law from Staffordshire University, UK.

Experience:

Mr. Muaz previously worked in the foreign section of the Arab Bank's Legal Department for two years. Prior to that, he worked at Dajani and Sons law firm for five years. He has been a member of the Jordanian Bar Association since 1997 and has been a member of the Association of International Lawyers since 1998.

Saher Daoud Kamil Abdul-Hadi

Position: Head of Compliance
Date of Birth: August 19, 1966
Nationality: Jordanian
Membership Date: September 18, 2018

Education:
Mr. Abdul-Hadi holds a bachelor's degree in Management from Western International University in the UK and a CAMS certificate (Certified Anti-Money Laundering Specialist) in 1989.

Experience:
Mr. Abdul-Hadi has over 28 years of experience in the banking sector, having worked at a number of banks, including Standard Chartered Bank and ABN AMRO Bank. Most recently, he was business sector manager in the Compliance Department at the Arab Bank.

Ra'fat Abdullah Ismail Khalil

Position: Chief Auditor
Date of Birth: December 10, 1964
Nationality: Jordanian
Membership Date: March 1, 2017

Education:
Mr. Khalil holds a bachelor's degree in Accounting from Yarmouk University, as well as professional certificates in CICA and CBA.

Experience:
Mr. Khalil has over 26 years of practical experience, having worked at the Central Bank of Jordan for seven years. He also worked at Oman Commercial Bank for four years and at the Oman Arab Bank for seven years.

Isam Bassem Nasri Samara

Position: Head of Marketing and Communications
Date of Birth: December 6, 1978
Nationality: Jordanian
Membership Date: September 19, 2019

Education:
Master’s degree in Business Administration from Northeastern University, USA.

Experience:
Mr. Samara has over 18 years of practical experience in marketing and sales, and has held several managerial positions in companies including Pacific Netorix (USA), Nuqul, Saraya, the Arab Bank, and also worked as director of marketing at Ayla Oasis Development Company.

Zain Ammar Khaldoun Malhas

Position: Head of Transaction Banking
Date of Birth: July 10, 1985
Nationality: Jordanian
Membership Date: September 19, 2019

Education:
Master’s degree from the Jordan German University and a bachelor’s degree in International Finance and Banking from Franklin College in Switzerland.

Experience:
Ms. Malhas has over 12 years of experience in the banking sector, having worked for the Housing Bank and Standard Chartered, where she managed the global subsidiaries business. Ms. Malhas is also a member of the board of directors Middle East Payment Services (MEPS).

Haya Ibrahim Hanna Abuata

Position: Head of Human Resources
Date of Birth: May 19, 1989
Nationality: Jordanian
Membership Date: August 12, 2020

Education:
Ms. Abuata holds a bachelor’s degree in Human Resources from the University of Toronto, Canada.

Experience:
Ms. Abuata a decade of experience in the banking sector. She moved up the ranks in Capital Bank Jordan, assuming the position of head of human resources on August 12, 2020.

Manar Nizar Mahmoud Aabidi

Position: Head of Credit
Date of Birth: May 25, 1972
Nationality: Jordanian
Membership Date: August 12, 2020

Education:
Ms. Al-'Abidi holds a master's degree in Finance and Investment from Edinburgh University, UK.

Experience:
Ms. Aabidi has around 24 years of experience in the banking sector. Prior to working with Capital Bank, she held positions with the Housing Bank, HSBC, and CitiBank, where she was the Commercial Banking Head.

Mohammad Ragheb Hussein Othman

Position: Head of Consumer Banking
Date of Birth: June 20, 1980
Nationality: Jordanian
Membership Date: November 26, 2020

Education:
Mr. Othman holds a master's degree in Management Information Systems from the Arab Academy for Banking and Financial Sciences.

Experience:
Mr. Othman has around 17 years of experience in the banking sector. He has worked with a number of banks, including the Arab Bank, Jordan Ahli Bank, and Al-Rajhi Bank, until he joined Bank Al Etihad, where his last post was Chief Retail Banking Officer.

Resigned Members of the Executive Management

#	Member's Name	Position	Date Resigned
1	Ala Atallah George Qumsieh	Chief Executive Officer	March 1, 2020
2	Eyas Nazmi Zuhdi Khawaja	Chief Operating Officer	September 10, 2020
3	Hawar Talal Mohammad Hijazi	Head of Human Resources	April 1, 2020

6. Competitive Position

Description	2020	2019
Market Share/Credit Facilities	4.2%	3.4%
Market Share/Deposits	4.0%	3.3%
Market Share/Assets	4.3%	3.7%

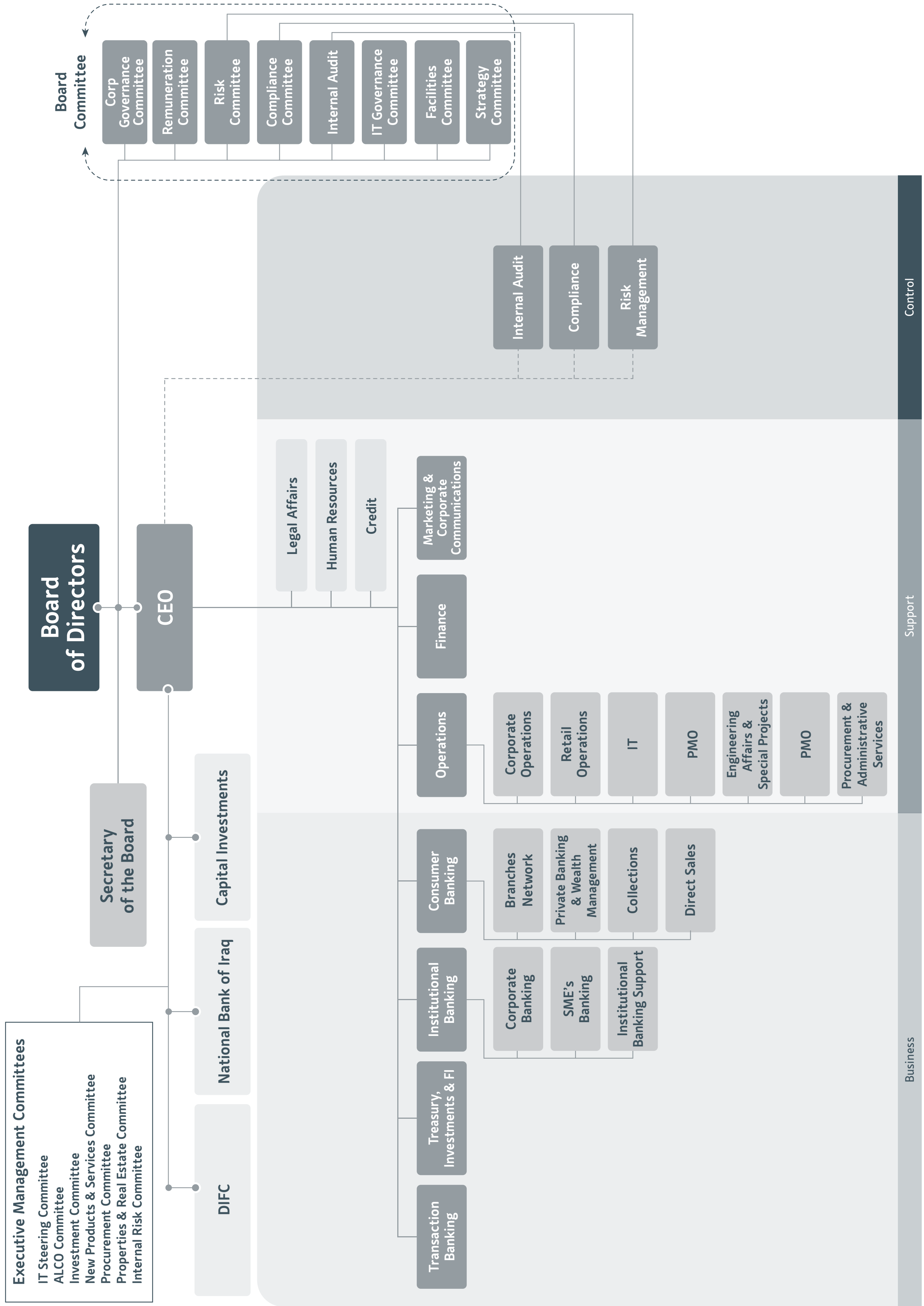
7. **The bank does not rely on specific local or foreign suppliers or agents who constitute 10% or more of total purchases and/or sales or revenues.**

8. **The bank and its products do not enjoy any government protection or privileges under laws, regulations, or otherwise.**

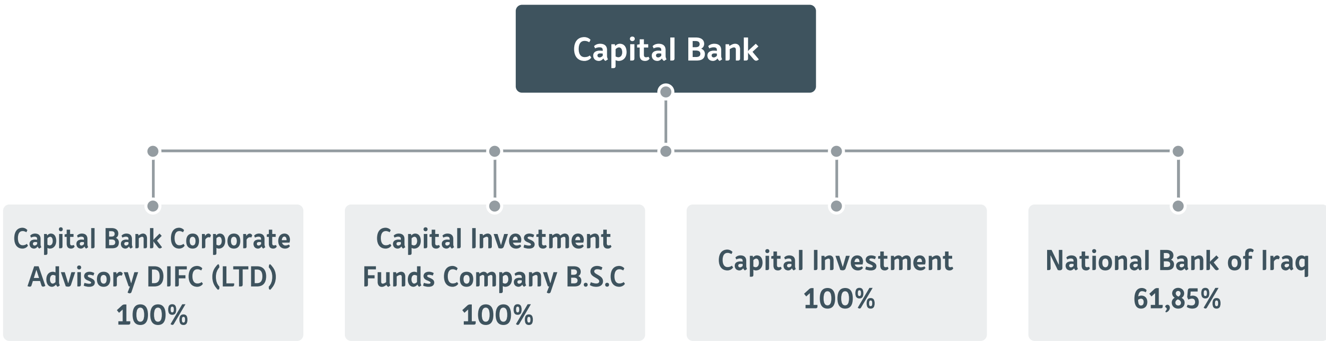
9. **There are no patents or concession rights that the bank has acquired.**

10. **No decisions issued by the government, international agencies or others have impacted the bank's work, products, or competitive capability. In addition, international standards of quality do not apply to the bank.**

11. A. Organizational structure of the bank and its subsidiaries



B. Organizational Structure of Bank Subsidiaries



C. Academic Credentials of Capital Bank, Capital Investments, and National Bank of Iraq Employees

Education Level	Number of Capital Bank Employees	Number of Capital Investments Jordan Employees	Number of Capital Investments DIFC Employees	Number of National Bank of Iraq Employees
PhD	-	-	-	1
Master's	39	5	1	11
Higher Diploma	-	-	-	-
Bachelor's	519	31	-	327
Diploma	22	-	-	16
Secretarial	1	1	-	-
Secondary School	19	1	-	8
Less than Secondary School	17	4	-	24
Total	**621**	**42**	**1**	**387**

D. Training Programs for Capital Bank and Capital Investments

Description	Capital Bank		Subsidiary Companies	
Type of Training	Number of Participants	Number of Workshops	Number of Participants	Number of Workshops
Workshops Held by the Bank's Training Centers	347	12	-	-
Local Workshops in Jordan	750	31	12	2
International Workshops	1	1	-	-
Specialized Professional Certifications	6	5	-	-
Total	**1,104**	**49**	**12**	**2**

E. Names of Training Workshops for Capital Bank and Capital Investments Employees

	Number of Courses	Number of Participants from Capital Bank Group
Specialized Banking Courses	9	250
Specialized Courses in Risk Management and Information Security	2	476
Specialized Courses in Finance	2	26
Specialized Courses in Managing Audits, Control, Compliance, and Anti-Money Laundering	3	42
Specialized Courses in Behavioral and Qualitative Skills	21	451
Specialized Courses in Leadership Skills	7	50
Specialized Courses in Information Technology and Systems	2	10
Specialized Professional Certificates	5	6
Total		**1311**

12. Risks to which the bank is exposed

Capital Bank is exposed to the following risks in the banking sector:

- Credit risks
- Market risks
- Liquidity risks
- Operational risks
- Compliance risks
- Information technology / cyber risks

Specialized departments at the bank manage risk in accordance with the laws and guidelines in place, as well as international best practices.

* Included in the Board of Directors' report.

13. Bank's achievements in 2020

Description of achievements as detailed and supported by figures can be found in the report of the Board of Directors.

14. The financial impact of non-recurring operations during 2020 that do not fall within the bank's main activities:

There were no operations of a non-recurring nature that took place in 2020.

15. The value of legal proceedings by the bank against third parties amounted to approximately JD156 million as at December 31, 2020. These were cases about hampered or bad debt accounts.

There were no operations of a non-recurring nature that took place in 2020.

16. The timeline of realized profits, losses, dividend distribution and net shareholder equity for the years 2004-2020

Fiscal Year	Shareholder Equity JD	Net Profits	Dividends		Closing Price JD
			Cash Dividends	Free Shares	
2004	59,872,518	12,346,354	-	7,000,000	4.41
2005	135,934,724	21,358,989	-	10,500,000	3.32
2006	156,991,770	18,059,905	-	14,000,000	1.93
2007	172,375,124	13,508,666	-	7,000,000	2.07
2008	203,161,545	15,250,169	7,500,000	-	1.8
2009	208,070,606	1,338,383	-	17,200,000	1.56
2010	214,107,952	5,149,968	-	-	1.54
2011	221,258,745	1,428,331	-	-	1.36
2012	242,807,956	22,036,184	-	-	1.13
2013	324,291,358	37,036,290	-	15,000,000	1.60
2014	344,881,127	36,314,776	16,500,000	16,000,000	1.51
2015	324,350,413	1,068,872	10,890,000	18,500,000	1
2016	334,107,254	16,135,976		-	0.83
2017	349,394,463	27,311,646	10,000,000	-	0.79
2018	336,832,327	30,348,276	20,000,000		0.92
2019	347,479,046	28,816,777	-	-	1.00
2020	355,687,310	30,302,078	24,000,000	-	0.98

17. Analysis of the bank's financial position and the results of its operations for the fiscal year:

Financial Ratios	31/12/2019	31/12/2020
Return on Average Assets	1.39%	1.23%
Return on Average Shareholder Equity	8.42%	8.62%
Return Per Share	0.126	0.130
Equity to Assets Ratio	15.89%	12.94%
Capital Sufficiency	16.31%	16.73%
Non-Operational Facilities Ratio (After Deducting Suspended Interest)	7.25%	5.07%
Coverage of Allowances for Inactive Credit (After Deducting Suspended Interest)	52.76%	73.9%
Cash and Semi-Cash Liquidity Ratio	123.93%	130.25%

18. Key Future Developments and the Bank's 2021 Plan

Capital Bank Group continued to develop services that meet the unique needs of its clients based on the belief that innovation is the language of the future. In 2020, many digital projects and updates of systems and banking operations were completed, including the treasury system, the loans system, and the core banking system. Additionally, a set of e-services were launched such as the iCa (Chatbot) service available through Facebook Messenger and WhatsApp and a service that allows customers to open accounts through WhatsApp. Moreover, a partnership agreement was signed with Liwwa to automate SME loan applications and other digital and electronic services.

Capital Bank Group has updated its 2021-2026 strategic plan in line with challenges presented by the COVID-19 pandemic and its repercussions, which has illustrated the importance of having an effective infrastructure for remote or online operations and to provide clients with services through social media and interactive ATMs.

Looking ahead to 2021, the group is confident about its readiness for the next stage, during which more digital transformation is expected, as well as higher focus on services for clients, which will be supported by the new addition to the group once the acquisition of Bank Audi operations and branches in Jordan and Iraq is finalized. This will have a positive effect on Capital Bank Group's revenues through the diversification of income sources, an increase in the client base, and the expansion of banking services, especially electronic services.

19. Auditing fees for the bank and its subsidiaries

Auditing fees for Messrs. PricewaterhouseCoopers for the year 2020 amounted to JD209,820 including taxes as detailed below for the bank and its subsidiaries:

	Amount (JD)
Capital Bank	132,820
Capital Investments (Subsidiary)	8,000
National Bank of Iraq	55,000
Capital Investments (DFIC)	12,000
Bahrain Investment Fund	2,000
Total	**209,820**

20. Statement of Number of Securities

Following is the statement of the number of securities owned by members of the board of directors and the executive management team, their relatives, and companies controlled by board members, executive management, and their relatives.

A. Number of Securities Owned by Members of the Board of Directors

Member	Position	Nationality	Number of Shares Owned as at December 31, 2019	Number of Shares Owned as at December 31, 2020
Bassem Khalil Salem Al-Salem	Chairman of the Board	Jordanian	9,836,556	9,844,556
Mazen Samih Taleb Darwazah	Vice-Chairman of the Board	Jordanian	3,491,990	6,131,974
Social Security Corporation	Member	Jordanian	18,544,288	18,784,288
Represented by Shaden Ziyad Nabih "Darwish Al-Haji"		Jordanian	-	-
Investment and Integrated Industries Co (Holding)	Member	Jordanian	5,338,007	5,338,007
Represented by Mr. Omar M. I. Shahrour		Jordanian	-	40,000
Hitaf Investment Company	Member	Jordanian	6,047,776	8,682,776
Represented by Mr. "Mohammed Ali" Khaldoun Sati' Al-Husry		Jordanian	3,023,886	3,023,886
Al Khalil Company for Investments	Member	Jordanian	64,567	64,567
Represented by Mr. Khalil Hatem Khalil Al-Salem		Jordanian	-	-
Al-Jadarah Company for Real Estate Investment	Member	Jordanian	37,796	37,796
Represented by Mr. Sultan Mohammed M. Al Seif		Saudi	60,000	60,000
Arab Potash Company	Member	Jordanian	183,747	183,747
Represented by Jamal Ahmad Miflih Al Sarayrah		Jordanian	-	-
Omar Akram Omran Bitar	Member	Palestinian	27,548	27,548
Reem Haitham Jamil Goussous	Member	Jordanian	27,548	27,548
Khalid Walid Hussni Nabilsi	Member	Jordanian	175,000	175,000
Mohammad Hasan Subhi "AlHaj Hasan"	Member	Jordanian	40,210	40,210

B. Number of Securities Owned by Relatives of Members of the Board of Directors

Relatives of Members of the Board of Directors	Member	Relationship	Nationality	Number of Shares Owned as at December 31, 2019	Number of Shares Owned as at December 31, 2020
Rudayna Farhan Sa'd Abu Jaber	Bassem Khalil Salem Al- Salem	Wife	Jordanian	776,587	776,587
Rula Samir Khalil Naser	Mazen Samih Taleb Darwazah	Wife	Jordanian	88,143	88,143
Ghalia Charlie Ghaleb Bisharat	Khalil Hatem Khalil Al-Salem representing Al Khalil Company for Investments	Wife	Jordanian	20,000	-
Hatem Khalil Hatem Al-Salem	Khalil Hatem Khalil Al-Salem representing Al Khalil Company for Investments	Son	Jordanian	15,000	30,000

C. Number of Securities Owned by Companies Controlled by Members of the Board of Directors

Member	Position	Company Controlled	Company Legal Description	Number of Bank Shares Controlled by the Company	
				31/12/2019	31/12/2020
Bassem Khalil Al-Salem	Chairman of the Board of Directors – General Manager	Al Khalil Company for Investments	Limited Liability Company	64,567	64,567
	Member	General Mining Company	Public Shareholding Company	41,173	41,173
Mazen Samih Taleb Darwazah	Member	DARHOLD LIMITED	Private	3,537,497	3,537,497
"Mohammed Ali" Khaldoun Sati" Al-Husry representing Hitaf Investment Company	Member	DARHOLD LIMITED	Private	3,537,497	3,537,497
Investment and Integrated Industries Co	Member	Modern International Company for Manufacturing Vegetable Oils	Public Shareholding Company	25,825	25,825

D. Number of Securities Owned By Companies Controlled by Relatives Of Members of the Board of Directors

Relatives of Board Member	Member	Relationship	Position	Name of Controlled Company	Company Legal Description	Number of Bank Shares Controlled by the Company	
						31/12/2019	31/12/2020
Rudayna Farhan Sa'd Abu Jaber	Bassem Khalil Salem Al-Salem	Wife	Chairman of the Board	Al Khalil Company for Investments	Limited Liability Company	64,567	64,567

E. Number of Securities Owned by Members of the Executive Management

Name	Position	Nationality	Number of Shares as at	
			31/12/2019	31/12/2020
Dawod Mohammad Dawod Al-Ghoul	Chief Executive Officer	Jordanian	27,000	27,000
Yasser Ibrahim Mohammad Kleib	Head of Institutional Banking	Jordanian	5,505	5,505
Ra'fat Abdullah Ismail Khalil	Chief Auditor	Jordanian	50,000	50,000
Mohammad Hafez Abdul-Karim M'uaz	Legal Counselor	Jordanian	-	-
Ali Mohammad Daoud Abu Swai	Chief Treasury and Investment	Jordanian	-	-
Falah Hasan Khalil Kokash	Chief Risk Officer	Jordanian	2,416	2,416
Manar Mohammad Abdulhalim Al Nsour	Chief Financial Officer	Jordanian	14,044	14,044
Saher Daoud Kamil Abdul-Hadi	Head of Compliance	Jordanian	-	-
Zain Ammar Khaldoun Malhas	Head of Transaction Banking	Jordanian	-	-
Isam Bassem Nasri Samara	Head of Marketing and Communications	Jordanian	-	-
Manar Nizar Mahmoud Aabidi	Chief Credit Officer	Jordanian	-	-
Haya Ibrahim Hanna Abuata	Head of Human Resources	Jordanian		-
Muhammad Ragheb Hussein Othman	Head of Retail Banking Services	Jordanian	-	-

- There are no securities owned by relatives of the executive management members.
- There are no securities owned by companies controlled by members of the executive management members or their relatives.

F. Names of Major Shareholders Who Own 5% or More and the Number of Shares Owned Compared to the Previous Year

Name	Nationality	Number of Shares as at 31/12/2019	Percentage	Number of Shares as at 31/12/2020	Percentage
Saad Assim A. Aljanabi	Iraqi	19,524,105	9.762	19,524,105	9.762
Social Security Corporation	Jordanian	18,544,288	9.272	18,784,288	9.392
Abdallah S. A. Aljanabi	Iraqi	11,483,787	5.742	11,483,787	5.742
Asem S. A. Aljanabi	Iraqi	11,483,787	5.742	11,483,787	5.742
Said Samih Taleb Darwazeh	Jordanian	16,070,349	8.035	10,800,349	5.400
Sara International Holdings Ltd	Cayman Islands	9,889,836	4.945	10,064,669	5.032

G. Shareholders who Own 1% or More of the Bank's Capital and the Statement of Mortgaged Shares and the Ultimate Beneficial Owners as at December 31, 2020

Shareholder	Nationality	Number of Shares	Percentage of Bank Capital	Final Beneficiary	Number of Shares Pledged	Percentage of Shares Pledged	Mortgage Party
Saad Assim A. Aljanabi	Iraqi	19,524,105	9.762	Same			
Social Security Corporation	Jordanian	18,784,288	9.392	Same			
Abdallah S. A. Aljanabi	Iraqi	11,483,787	5.742	Same			
Asem S. A. Aljanabi	Iraqi	11,483,787	5.742	Same			
Said Samih Taleb Darwazah	Jordanian	10,800,349	5.400	Same	6,000,000	55.554	Jordan Kuwait Bank
Sara International Holdings Ltd	Cayman Islands	10,064,669	5.032	Ali Hasan Hussein Kolaghasi	8,858,525	88.016	Cairo Amman Bank
Bassem Khalil Salem Al-Salem	Jordanian	9,844,556	4.922	Same	8,203,523	83.331	Housing Bank for Trade and Finance
Hitaf Investment Company	Jordanian	8,682,776	4.341	Mohammad Ali Khaldoun Sati Al-Husry Sharifa Nisreen Zaid Shaker Awn			
Mohammed Bin Musa'id Bin Seif Elseif	Saudi	8,495,472	4.248	Same			
Mohammad Yousef Saleh Altarawneh	Jordanian	7,000,000	3.500	Same			
Mazen Samih Taleb Darwazah	Jordanian	6,131,974	3.066	Same	1,983,471	32.346	Jordan Kuwait Bank
Investment and Integrated Industries Co (Holding)	Jordanian	5,338,007	2.669	Ghassan Elia Nuqul			
Elia Nuqul and Sons Company	Jordanian	4,735,000	2.368	Ghassan Elia Nuqul Marwan Elia Nuqul Elia Qustandi Nuqul	4,735,000	100.000	Kuwait National Bank

Shareholder	Nationality	Number of Shares	Percentage of Bank Capital	Final Beneficiary	Number of Shares Pledged	Percentage of Shares Pledged	Mortgage Party
DARHOLD LIMITED	Channel Islands (Jersey)	3,537,497	1.769	Mazen Samih Taleb Darwazeh Said Samih Taleb Darwazeh Mohammad Ali Khaldoun Sati Al-Husry Mohammad Mahmoud Mohammad Saffoury Ghassan Bashir Yousef Mohammad Al-Alami			
Mohammad Ali Khaldoun Sati Al-Husry	Jordanian	3,023,886	1.512	Same	3,000,000	99.210	Jordan Kuwait Bank
Sa'd Abu Jaber and Sons Company	Jordanian	2,679,742	1.340	Sa'd Farhan Abu Jaber Kim Fu'ad Abu Jaber Nimr Fa'eq Sa'd Abu Jaber Laith Fa'eq Sa'd Abu Jaber Omar Farouq Sa'd Abu Jaber			
Ikram Adnan Ahmed Al-Bitar	Jordanian	2,420,071	1.210	Same			
Qays Fu'ad Sa'd Abu Jaber	Jordanian	2,088,171	1.044	Same			

H. Summary of the Bank's Performance Evaluation and Bonuses Policy

Capital Bank implements the vision of its brand and institutional identity by emphasizing the concepts of performance and excellence. All the bank's employees, regardless of their position, are partners in the achievement of these objectives and the reinforcement of productivity.

To articulate its policy regarding the employee evaluation system and in granting incentives and bonuses endorsed by the Board of Directors, the bank implements institutional governance guidelines issued by the Central Bank of Jordan. Evaluations are also scaled according to the bank's general performance levels, results of the banking sector, and the level of performance of the employee.

This system also rewards employees according to their performance levels during the year. The evaluation system is a dynamic process based on transparency and dialogue among employees and managers, allowing them the opportunity to work together on performance reviews and identifying potential training and development opportunities, all of which emphasizes the fact that Capital Bank is an establishment driven by outstanding performances.

To this end, the bank has created an evaluation system based on three axes, the first of which is the Key Performance Indicator (KPI), the second is quality evaluation factors, and the third is continued training and development. At the beginning of the year, both sides set goals for the employee, which are reconsidered periodically, with a discussion by both sides about performance and the achievement of set goals, as well as the identification of any obstacles encountered and possible solutions. A final evaluation takes place at the end of the year in order to assess achievements based on the set targets. The bank's policy takes into account the achievement of KPIs at an organizational level as approved by the Board of Directors.

21.Benefits and Bonuses of Members of the Board of Directors and Executive Management in 2020

A. Members of the Board of Directors

Name	Fixed Allowance	Committees and Board Allowances	Bonus	Total
Bassem Khalil Salem Al-Salem	462,000	36,240	505,000	1,003,240
Mazen Samih Talib Darwazah	-	25,080	5000	30,080
Integrated Investment and Industries– Omar Ibrahim Muhammad Shahrour	-	29,640	5000	34,640
Social Security Corporation - Shaden "Darwish Al-Haji"	-	39,100	5000	44,100
Al-Khalil Investment Company - Khalil Hatem Khalil Al-Salem	-	48,160	5000	53,160
Hitaf Investment Company "Mohammad Ali" Khaldoun Sati Al-Husry	-	28,080	5000	33,080
Ahmad Qasim Deeb Al-Hanandeh	-	13,400	5000	18,400
Omar Akram Omran Bitar	-	34,068	5000	39,068
Dawod Muhammad Al-Ghoul	-	9,080	5000	14,080
Arab Potash Company - Jamal Ahmad Miflih Al-Sarayrah	-	14,320	-	14,320
Mohammad Hasan Subhi Al-Haj Hasan	-	41,680	5000	46,680
Khaled Walid Husni Nabilsi	-	37,680	5000	42,680
Reem Haitham Jamil Goussous	-	45,682	5000	50,682
Al-Jadara Real Estate Investment Company - Sultan Bin Muhammad Bin Musa'id Al-Seif	-	16,530	5000	21,530
Total		**418,740**	**565,000**	**1,445,740.000**

B. Benefits and Bonuses of Members of the Executive Management Team in 2020

Name	Benefits and Allowances until 31/12/2020	Bonuses	Total	Notes
Dawod Mohammad Dawod Al-Ghoul	383,833	100,000	483,833	Appointed on 1/3/2020
Ala Atallah George Qumsieh	456,767	-	456,767	Resigned on 1/3/2020
Ra'fat 'Abdullah Khalil	155,233	40,000	195,233	
Mohammad Hafez Abdul-Karim M'uaz	134,075	50,000	184,075	
Ali Mohammad Abu Swai	137,175	30,000	167,175	
Yasser Ibrahim Kleib	239,520	90,000	329,520	
Falah Hassan Khalil Kokash	109,430	20,000	129,430	
Manar Mohammad Abdulhalim Al Nsour	155,000	70,000	225,000	
Eyas Nazmi Zuhdi Khawaja	159,982	60,000	219,982	Resigned on 10/9/2020
Hawar Talal Mohammad Hijazi	43,194	24,945	68,140	Resigned on 1/4/2020
Saher Daoud Kamil Abdul-Hadi	139,965	9,000	148,965	
Isam Bassem Nasri Samara	88,955	15,000	103,955	
Zain Ammar Khaldoun Malhas	94,756	20,000	114,756	
Haya Ibrahim Hanna Abuata	48,555	15,000	63,555	Promoted on 12/8/2020
Manar Nizar Mahmoud Aabidi	77,500	12,000	89,500	Promoted on 12/8/2020
Muhammad Ragheb Othman	16,611	-	16,611	Appointed on 26/11/2020
Sami Baha' Mamdouh Al-Nabulsi (Capital Company)	307,474	-	307,474	
Total	**2,748,025**	**555,945**	**3,303,970**	

22. Donations and Grants Paid by the Bank in 2020

Beneficiary	Amount (JD)
COVID-19 pandemic donation	1,178,739
Contribution to the Financial Literacy project	81,152
King's Academy	73,263
King Hussein Cancer Center	51,500
Civil Societies Initiative - Iraq	42,119
Queen Rania Foundation	25,000
Annual grants to cover tuition expenses	20,845
Donations to the Iraqi Banks League	17,550
Young Muslim Women Association for Special Education / Charity Dinner	15,000
Support for students of Al-Bayanat Center for Special Education	15,000
Support for Information and Communications Technology Association (Intaj)	10,000
Tkiyyet Umm Ali for Volunteer and Charity Work (food packages)	8,000
Support for Arab Dress Society	7,100
Annual support for Ta'awon Organization	7,090
Loyac Jordan	5,000
Support for sports activities	5,000
Support for the School Maintenance Fund	5,000
Support for children through the Anjara Women Association	3,500
Other	107,258
Total	1,678,117

23. There are no contracts, projects, or commitments concluded by the issuing company with subsidiaries, sister companies, affiliates, board members, the chief executive officer or any employee or their relatives.

24. The bank's contribution to protecting the environment and serving the local community was included in the Board of Directors' report.

C. Declarations:

1. The Board of Directors hereby declares that there are no substantial matters that could affect the bank's sustainability during the upcoming fiscal year.
2. The Board of Directors hereby acknowledges its responsibility in preparing the financial statements and establishing an effective monitoring system at the bank.
3. The Board of Directors hereby declares that none of its members received material or in-kind benefits for them personally or anyone related to them for the fiscal year 2020.

4. The Board of Directors hereby acknowledges the accuracy and sufficiency of the bank's financial statements and the information in the report, as well as the sufficiency of the internal control and monitoring systems. (to include all BOD members Signatures, except for Jamal Sarayrah)

Chairman of the Board of Directors
Mr. Bassem Khalil Salem Al-Salem

Representative board member of the Social Security Corporation
Social Security Corporation
Ms. Shaden Ziyad Nabih "Darwish Al-Haji"

Vice-Chairman of the Board of Directors
Mr. Mazen Samih Taleb Darwazah

Investment and Integrated Industries Co (Holding)
Mr. Omar M. I. Shahrour
Representative board member of the Investment and Integrated Industries Co (Holding)

Representative board member of Hitaf Investment Company
Hitaf Investment Company
Mr. Mohammed Ali Khaldoun Sati" Al-Husry

Member of the Board of Directors
Mr. Omar Akram Omran Bitar

Representative board member of Al-Khalil Company for Investments
Al-Khalil Company for Investments
Mr. Khalil Hatem Khalil Al-Salem

Representative of board member Al-Jadara for Real Estate Investment
Al-Jadara Company for Real Estate Investment
Mr. Sultan Bin Mohammed M. Al Seif

Member of the Board of Directors
Mr. Khalid Walid Hussni Nabilsi

Member of the Board of Directors
Ms. Reem Haitham Jamil Goussous

Representative of board member Arab Potash Company
Arab Potash Company
Mr. Jamal Ahmad Muflih Al Sarayrah

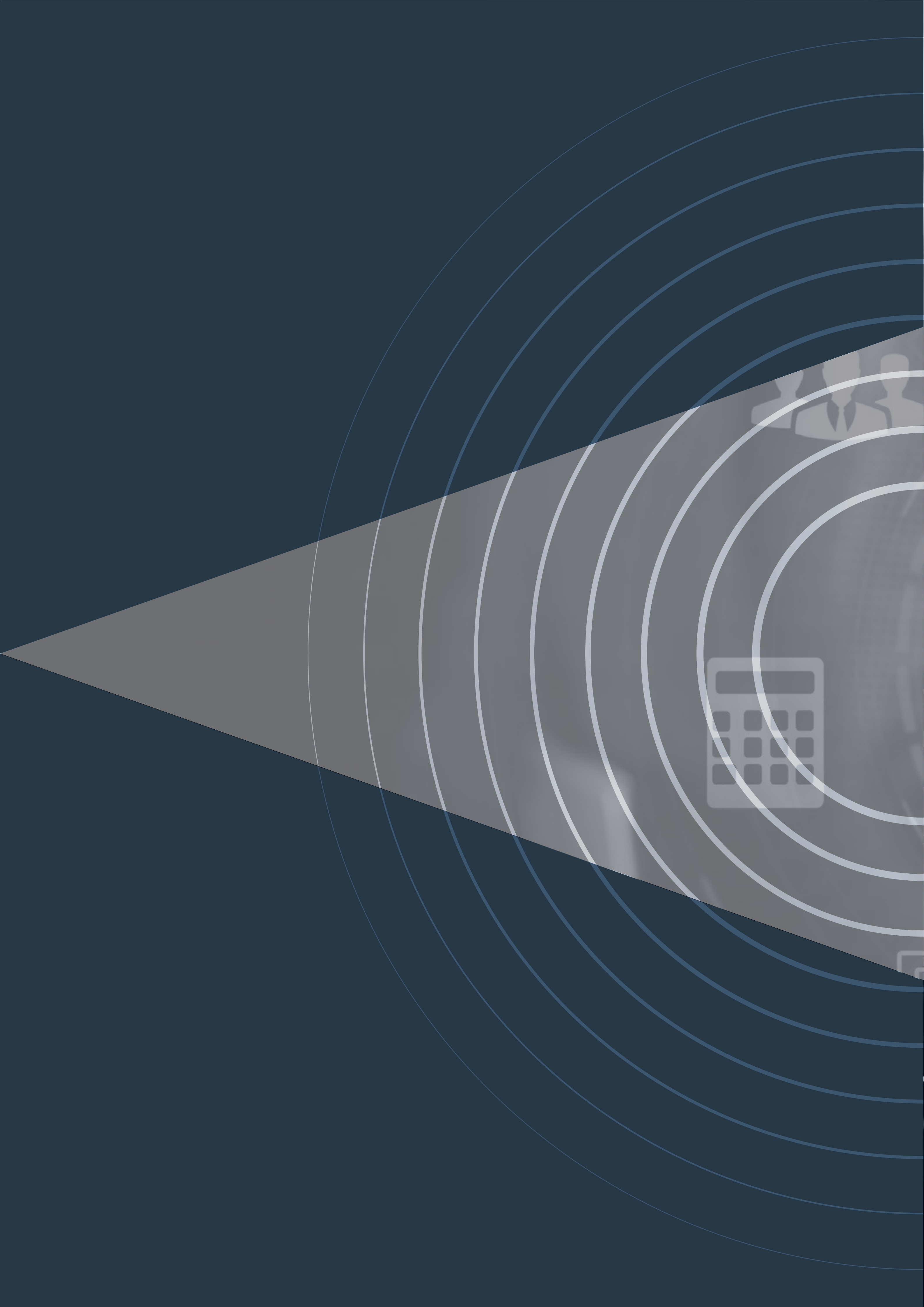
Member of the Board of Directors
Mr. Mohammad Hasan Subhi AlHaj Hasan

5. We, the undersigned, hereby declare that the information and data contained in this annual report are true and accurate. (to include Chairman, CEO and CFO signatures)

Chairman of the Board of Directors
Mr. Bassem Khalil Salem Al-Salem

Chief Executive Officer
Mr. Dawod Mohammad Dawod Al-Ghoul

Chief Financial Officer
Manar Mohammad Abdulhalim AlNsour



Governance Report

Table of Content

1. Introduction

Ladies and Gentlemen,

The Capital Bank of Jordan was founded in 1995 as a public shareholding company and was duly registered in the records of the Companies Control Department under the name Export and Finance Bank. Since its establishment, the bank has been successively governed by various boards of directors, the most recent of which was formed in May 2017. At the General Assembly meeting, thirteen members were elected, all of whom have the knowledge, experience, skills, and independence to enable them to carry out their duties efficiently and professionally. Through their experience, the members of the board possess the ability to make their decisions independently and objectively while taking into account the interests of the bank, its shareholders, and depositors, free from any personal interests or external influences.

The bank recognizes that the work of its board should be independent and professional, and with this in mind, six of its 13 members are independent. Independent members add a new dimension through their impartiality and experience, which they offer free of any conflicts of interest. Members of the board are formed into committees in order to carry out all of the board's tasks efficiently. The objectives, functions and responsibilities of these committees have been set and delegated according to an approved charter included in the Guide for Corporate Governance, which is available on the bank's website (http://www.capitalbank.jo), detailing the qualifications of each member.

In 2014, the Central Bank of Jordan issued the Corporate Governance Regulations, which were amended several times since their issuance, the last of which was in 2016. In 2017, the Jordan Securities Commission (JSC) also issued a set of instructions on corporate governance of listed joint-stock companies. Capital Bank of Jordan has been a pioneer in applying corporate governance, and has prepared its own corporate governance guide in cooperation with Ernst & Young, which is fully and comprehensively based on the instructions of the Central Bank of Jordan and takes into account the global best practices in this field. Capital Bank has also implemented a comprehensive review of these guidelines based on the latest guidelines issued in 2017.

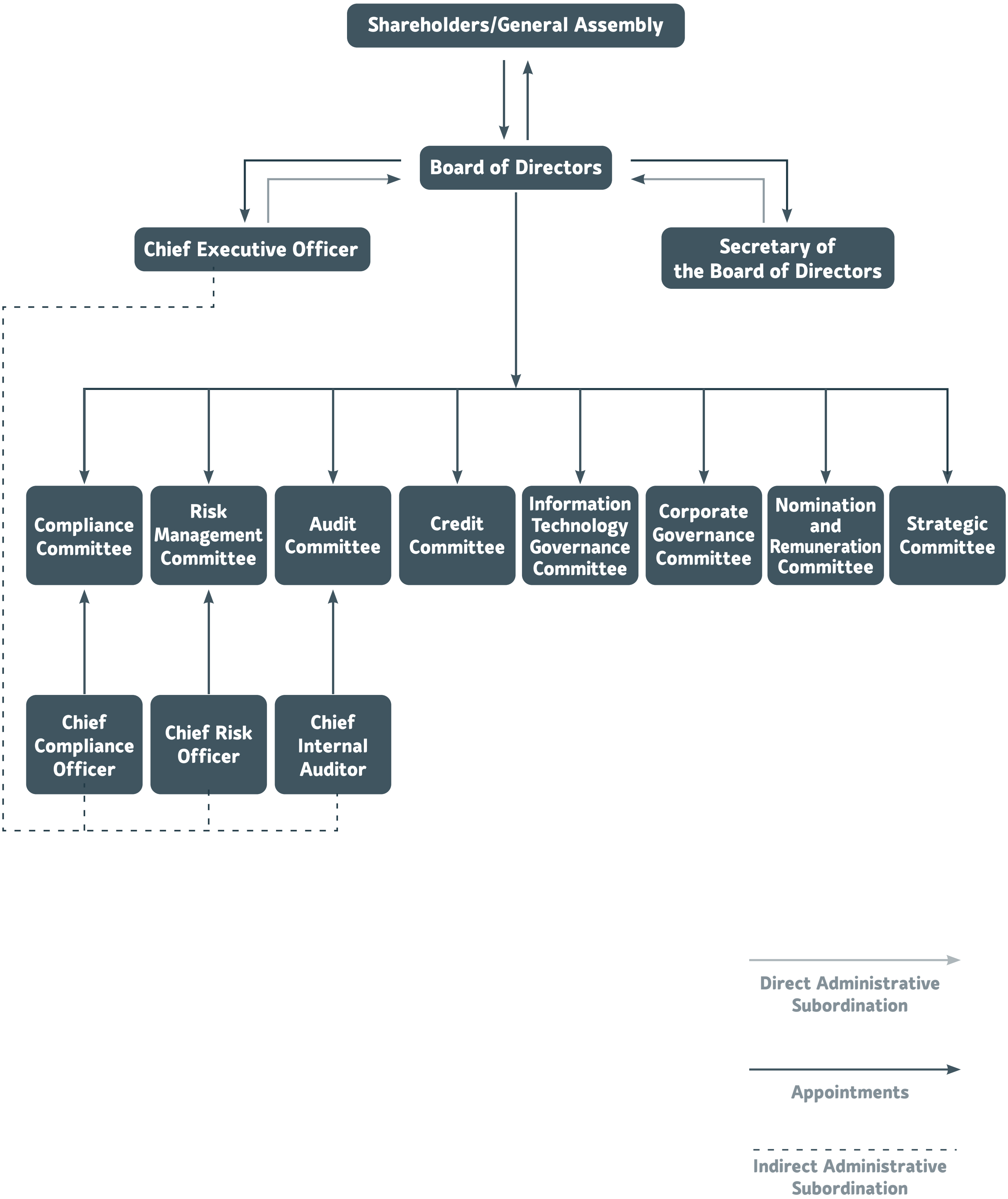
As part of its ongoing efforts to institutionalize the principle of governance, Capital Bank has adopted a set of policies that ensure the application of best practices in governance.

The bank affirms its commitment to corporate governance and had adopted and published the corporate government and information and technology management guide on its website in line with the corporate governance guidelines No. 56/2016 issued by the Central Bank of Jordan.

We present to you the governance report, which was duly adopted by the Board of Directors, in accordance with the provisions of Article 17 of the corporate governance guidelines.

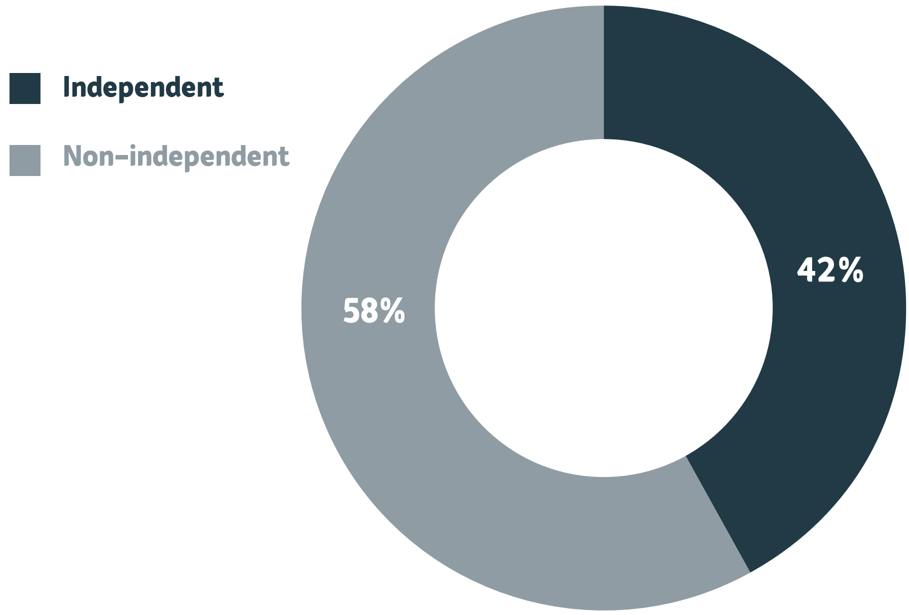
Chairman of the Board of Directors
Bassem Khalil Al-Salem

2. The General Framework of the Governance System in the Bank



3. Members of the Board of Directors

3.1 Composition of the Board



* All board members are non-executive members

3.2 Board Members

Board Member	Representative	Independence
Mr. Bassem Khalil Salem Al-Salem		Not independent
Mr. Mazen Samih Taleb Darwazah		Not independent
Social Security Corporation	Ms. Shaden Ziyad Nabih "Darwish Alhaji"	Not independent
Investment and Integrated Industries Co (Holding)	Mr. Omar M. I. Shahrour	Not independent
Hitaf Investment Company	Mr. "Mohamed Ali" Khaldoun Sati' Al-Husry	Not independent
Al Khalil Company for Investments	Mr. Khalil Hatem Khalil Al-Salem	Not independent
Al-Jadarah Company for Real Estate Investment	Mr. Sultan Bin Mohammed M. Al-Seif	Not independent
Arab Potash since May 31, 2020	Mr. Jamal Ahmad Mifleh Al Sarayrah*	Independent
Mr. Omar Akram Omran Bitar		Independent
Ms. Reem Haitham Jamil Goussous		Independent
Mr. Khalid Walid Hussni Nabilsi		Independent
Mr. Mohamad Hasan Subhi AlHaj Hasan		Independent

* Representative was changed. Awaiting the naming of another person so the bank may send the no-objection request to the Central Bank of Jordan regarding the new representative according to the rules.

3.3 Membership of Board Members (Individuals) in other Public Shareholding Companies in Jordan

Name of Member	Membership in Public Shareholding Company
Mr. Bassem Khalil Salem Al-Salem	Board Member at General Mining Co Board Member at Royal Jordanian.
Mr. Mazen Samih Taleb Darwazah	None
Mr. Omar Akram Amran Al Bitar	None
Ms. Reem Haitham Jamil Goussous	None
Mr. Khalid Walid Hussni Nabilsi	None
Mr. Mohamad Hasan Subhi (AlHaj Hasan)	None

3.4 Resigned Members of the Board of Directors

Name of Member	Date of Resignation
Mr. Dawod Mohammad Dawod Al-Ghoul	2020/03/01
Ahmad Qasem Deeb Al-Hanandeh	2020/10/12

3.5 Name of Governance Liaison at the Bank

The Secretary of the Board of Directors is Ms. Orouba Said Qarain, and she is the Governance Liaison at the Bank.

3.6 Board Committees

3.6.1 Audit Committee

Members of the Audit Committee and a Brief Description of their Qualifications and Experience Including Financial and Accounting Matters:

Mr. Omar Akram Omran Bitar – Committee Chairman	
Qualifications	Bachelor’s degree in Finance and Banking from the University of Missouri in St. Louis
Experience	Mr. Bitar has long experience in auditing at major companies, institutions, banks as well as various other sectors. He also has long experience in international restructuring projects for companies and institutions, running change management and business transformation in major international companies. He is currently a member of the Board of the Arab Society for Orphans.

Mr. Mohamad Hasan Subhi AlHaj Hasan – Board Vice Chairman	
Qualifications	Mr. AlHaj Hasan has a Bachelor's degree in Finance and Microeconomics from Massachusetts Institute of Technology (MIT), a Master's of Business Administration and a Master's degree in Education from Stanford Graduate School.
Experience	Mr. AlHaj Hasan worked as a financial analyst in the Corporate Purchasing and Mergers Department of Dresdner Kleinwort Wasserstein. He also served as vice general manager of Rasmala, a company registered in Dubai that works in investments and fundraising. He founded Akhtaboot, an employment and talent acquisition company in the Gulf and the Middle East, and Jawaker, an electronic gaming company of which he is currently the CEO.

Al Khalil Company for Investments represented by Mr. Khalil Hatem Khalil Al-Salem – Board Member	
Qualifications	Mr. Al-Salem has a Bachelor's degree in Economics from Columbia University.
Experience	Mr. Al-Salem previously served as the director of the Office of His Royal Highness Prince Ali Bin Al-Hussein. He began his career as a financial analyst at J.P. Morgan in New York, then as a financial analyst and business development manager at Capital Investment & Brokerage - Jordan Ltd Co. He also worked as a financial analyst for Midrar Investments. He is currently the Financial Director of Al-Majal Energy Services Company, Vice CEO of Iraq Logistics Ventures Ltd.

Social Security Corporation represented by Ms. Shaden Ziyad Nabih "Darwish Alhaji" – Board Member	
Qualifications	BA in Finance and Banking from the University of Jordan, Certified Financial Analyst (CFA) from the CFA Institute in USA, holds a certificate from the Jordan Institute of Directors (JIOD) and was awarded a Board of Directors Certificate from the International Financial Corporation.
Experience	Ms. Alhaji held numerous positions at the Investment Fund of the Social Security Corporation since 2003. She was also a financial analyst at the Stock Investment Department between 2003 and 2007, senior financial analyst from 2007 to 2010, director of the Portfolio Management Section, Stock Investment Department from 2010 to 2019. She is currently the director of the Private Shareholder Portfolio Section, and a member of the CFA Society in Jordan.

Ms. Reem Haitham Jamil Goussous – Board Member	
Qualifications	Ms. Goussous has a Bachelor's degree in Economics and a Master's degree in Economic Development and International Trade from Boston University, USA.
Experience	Ms. Goussous has more than 20 years of experience in the economic and financial fields in which she has built a successful record in economic impact analysis, the formulation of economic development policies, strategies, research and market data, investment development and exports. She participated in economic feasibility studies of projects in the financial, manufacturing, mining and renewable energy sectors. She was the first director and chief economic consultant at Al-Jadara Company. She served as policy advisor to the Minister of Planning and International Cooperation. She is currently the CEO of Endeavor Jordan and a board member of the Jordan River Foundation.

3.6.2 Nomination and Remuneration Committee

Members of the Committee are:

Ms. Reem Haitham Jamil Goussous	Committee Chairperson
Mr. Mazen Samih Taleb Darwazah	Committee Vice Chairman
Arab Potash represented by Mr. Jamal Ahmad Mifleh Al Sarayrah	Committee Secretary

3.6.3 Corporate Governance Committee

Members of the Committee are:

Arab Potash represented by Mr. Jamal Ahmad Mifleh Al Sarayrah	Committee Chairperson
Mr. Bassem Khalil Salem Al-Salem	Committee Vice Chairman
Mr. Omar Akram Amran Bitar	Committee Secretary

3.6.4 Risk Management Committee

Members of the Committee are:

Mr. Khalid Walid Nabilsi	Committee Chairperson
Al Khalil Company for Investments represented by Mr. Khalil Hatem Khalil Al-Salem	Committee Vice Chairman
Social Security Corporation represented by Ms. Shaden Ziyad Nabih "Darwish Alhaji"	Committee Member

3.6.5. Credit Committee

Members of the Committee are:

Mr. Bassem Khalil Salem Al-Salem	Committee Chairperson
Mr. Mazen Samih Taleb Darwazah	Committee Vice Chairman
Hitaf Investment Company represented by Mr. "Mohamed Ali" Khaldoun Sati' Al-Husry	Committee Member
Investment and Integrated Industries Co (Holding) represented by Mr. Omar M. I. Shahrour	Committee Member
Mr. Khalid Walid Nabilsi	Committee Member

3.6.6 Compliance Committee

Members of the Committee are:

Investment and Integrated Industries Co (Holding) represented by Mr. Omar M. I. Shahrour	Committee Chairperson
Social Security Corporation represented by Ms. Shaden Ziyad Nabih “Darwish Alhaji”	Committee Vice Chairman
Ms. Reem Haitham Jamil Goussous	Committee Member

3.6.7 Information Technology Governance Committee

Members of the Committee are:

Mr. Mohamad Hasan Subhi AlHaj Hasan	Committee Chairperson
Al Khalil Company for Investments represented by Mr. Khalil Hatem Khalil Al-Salem	Committee Vice Chairman
Mr. Khalid Walid Nabilsi	Committee Member

3.6.8 Strategic Committee

Members of the Committee are:

Mr. Bassem Khalil Salem Al-Salem	Committee Chairperson
Hitaf Investment Company represented by Mr. “Mohamed Ali” Khaldoun Sati’ Al-Husry	Committee Vice Chairman
Al Khalil Company for Investments represented by Mr. Khalil Hatem Khalil Al-Salem	Committee Member
Ms. Reem Haitham Jamil Goussous	Committee Member
Mr. Mohamad Hasan Subhi AlHaj Hasan	Committee Member

3.7 Number of Meetings of the Board and Board Committees and List of Attending Members

	Name of Member	Board of Directors	Audit Committee*	Compliance Committee	Risk Management Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Credit Committee	Information Technology Governance Committee	Strategic Committee
		Number of Meetings (15)	Number of Meetings (9)	Number of Meetings (5)	Number of Meetings (4)	Number of Meetings (11)	Number of Meetings (2)	Number of Meetings (4)	Number of Meetings (8)	Number of Meetings (1)
1	Mr. Bassem Khalil Salem Al-Salem	15/15					2/2	4/4		1/1
2	Mr. Mazen Samih Taleb Darwazah	15/15				11/11		4/4		
3	Social Security Corporation represented by Ms. Shaden Ziyad Nabih "Darwish Alhaji"	15/15	6/6	5/5	4/4					
4	Investment and Integrated Industries Co (Holding) represented by Mr. Omar M. I. Shahrour	15/15		5/5				4/4		
5	Hitaf Investment Company represented by Mr. "Mohamed Ali" Khaldoun Sati' Al-Husry	15/15						4/4		1/1
6	Al Khalil Company for Investments represented by Mr. Khalil Hatem Khalil Al-Salem	15/15	9/9		4/4				8/8	1/1
7	Al-Jadarah Company for Real Estate Investment represented by Mr. Sultan Bin Mohammed M. Al Seif	15/13				9/8				
8	Mr. Omar Akram Omran Bitar	15/15	6/6			8/8	2/2			
9	Ms. Reem Haitham Jamil Goussous	15/13	6/6	5/5		11/11				1/1
10	Mr. Khalid Walid Nabilsi	15/13			4/4			4/4	8/6	
11	Mr. Mohamad Hasan Subhi AlHaj Hasan	15/14	9/9						8/8	1/1
Members appointed in 2020										
12	Arab Potash represented by Mr. Jamal Ahmad Mifleh AlSarayrah since 31/5/2020	9/8				3/2	2/0			
Members resigned in 2020										
1	Mr. Dawod Mohammad Dawod Al-Ghoul 1/03/2020	2/2	2/2			2/2				1/1
2	Mr. Ahmad Qasem Deeb Al-Hanandeh 12/10/2020	13/13							7/3	1/0

* Four meetings of the Audit Committee were attended by external auditors.

4. Names of Executive Management Members and their Positions:

Name of Member	Position
Mr. Dawod Mohammad Dawod Al-Ghoul	Chief Executive Officer
Mr. Yasser Ibrahim Mohammad Kleib	Head of Institutional Banking
Mr. Ra’fat Abdulla Ismail Khalil	Chief Auditor
Mr. “Mohammed Hafeth” Abdel Kareem Mohammed Mu’az	Head of Legal Affairs/ Legal Counsel
Mr. Ali Mohammad Daoud Abu Sawi	Chief Treasury & Investments Officer
Mr. Saher Daoud Kamil Abdel-Hadi	Head of Compliance
Ms. Manar Mohammad Abdul Halim Al Nsour	Chief Financial Officer
Mr. Falah Hasan Khalil Kokash	Chief Risk Officer
Ms. Zain Ammar Khaldoun Malhas	Head of Transaction Banking
Mr. Isam Basem Nasri Samara	Head of Marketing & Corporate Communications
Ms. Manar Nizar Mahmoud Aabidi	Head of Credit
Ms. Haya Ibrahim Hanna Abuata	Head of Human Resources
Mr. Mohammad Ragheb Hussein Othman	Head of Consumer Banking

5. Reports of Board Committees During 2020

Audit Committee

The most important issues discussed in 2020:

1. Topics related to the Internal Audit Department:
- Adopting the 2020 risk-based internal audit plan and the ability to operate remotely.
- Adopting the internal audit management charter.
- Adopting the audit management strategy plan 2021-2023.
- Adopting the internal audit ethics guide.

2. Internal audit reports:
- Discussing internal audit reports on the activities of all duty stations at the bank's departments, branches and subsidiaries, as well as the achievements of the Internal Audit Department in accordance with the 2020 audit plan.
- Discussing the reports of the additional assignments and duties of the Internal Audit Department outside the scope of the audit plan that took place during 2020.

3. Reviewing periodic reports related to the following:
- Dealing with related parties.

4. Topics related to financial statements:
- Reviewing the periodic reports that include the financial statements (annual, semi-annual and quarterly), and recommending to the board to approve them after ensuring that they are accurate, complete and conform to the information and reflect the appropriate accounting standards and laws for submission to the Board of Directors.
- Ensuring that the provisions are sufficient against suspect debts and securities portfolio allocations and expressing an opinion about the bank's non-performing or proposed debts as bad debts.
- Providing recommendations to the bank's Board of Directors regarding the appointment of the external auditor and the conditions that relate to contracting them as stated in the approved external audit policy.
- Reviewing the observations contained in the reports of the Central Bank of Jordan and the reports of the external auditor and accounting issues that have material impact, including complex transactions, and transactions with related parties with current professional or legal statements, and understanding the extent of their impact on the financial statements of the group.

5. Miscellaneous topics:
- Meeting with the external auditor and internal auditor without the attendance of the executive management once.
- Recommending the selection of the external auditor as the auditor for the bank and its subsidiary companies for 2020.
- Reviewing and recommending the adopting of a set of policies.

Corporate Governance Committee

The most important issues discussed in 2020:

1. Reviewing the Corporate Governance Manual

Risk Management Committee

The most important issues discussed in 2020:

1. Reviewing the information and reports prepared by the bank's risk department.
2. Knowing the events that may affect the risks faced by the bank, including political changes and changes in investment policies.
3. Reviewing the internal capital adequacy assessment process (ICAAP) and ensuring the capital adequacy for all risks to which the bank is or may be exposed and following up on them.
4. Discussing the periodic reports submitted to the board's Risk Committee.
5. Reviewing the results of stress tests.
6. Evaluating the latest developments in view of current COVID-19 pandemic conditions.
7. Reviewing a set of policies.

Nomination and Remuneration Committee

The most important issues discussed in 2020:

1. Evaluating the performance and achievements of the Human Resources Department in 2019.
2. Reviewing the results of the evaluation questionnaire for board members 2018 and 2019.
3. Evaluating the performance and awards of the executive management team in 2020.
4. Reviewing a set of policies.

Compliance Committee

The most important issues discussed in 2020:

1. Adopting of the 2020 compliance plan.
2. Meeting with the Head of Compliance without the attendance of the higher executive management.
3. Discussing the comprehensive internal audit report on compliance activities.
4. Discussing the risk assessment report to combat money laundering and terrorist financing.
5. Generally evaluating the compliance of the bank and its subsidiaries to the instructions of regulatory authorities and global best practices in compliance and combating money laundering and terrorist financing.
6. Meeting with the Head of Compliance without the attendance of executive management team members.
7. Reviewing fines, penalties or violations imposed by the regualtory authorities and / or contracting parties during the year arising from non-compliance with the instructions and requirements of regulatory authorities (if found).
8. Discovered compliance risks and proposing corrective procedures by conducting tests, checks and field visits to the work centers.
9. Evaluating banking products and services viewed during the year.
10. Reviewing the outputs and results of the internal and external auditors and reports of the Central Bank of Jordan’s inspectors that show cases of non-compliance.
11. Evaluating customer complaints showing instances of non-compliance and corrective actions.
12. Reviewing the number of cases investigated and reported to the Anti-Money-Laundering and Terrorist Financing Unit.
13. Offering training courses and support to the different branches and departments of the bank in addition to the activities that the Compliance Department participated in.
14. Watching for any alert signs that may cause non-compliance.
15. Reviewing the VATCA policy.
16. Implementing the Safe Watch system.
17. Reviewing a set of policies.

Information Technology Governance Committee

The most important issues discussed in 2020:

1. Developments of projects and programs related to information technology.
2. Matters related to human resources.
3. Instant Banking project.
4. Clearing system.
5. AML project.
6. EY health check.

Credit Committee

The most important issues discussed in 2020:

1. Discussing the requests for credit facilities according to the credit policy and authority accredited by the bank.

Strategic Committee

The most important issues discussed in 2020:

1. Discussing the strategic direction of the group over the coming three years

Bank Branches and Local Offices

No.	Branch	Address	Email
1	Main Branch – General Administration	Issam Al-Ajlouni Street – Ashmaisani No. 35	MainBranch@Capitalbank.jo
2	Al-Madinah Al- Munawwara Street Branch	Al-Madinah Al-Munawwara Street	MadinehBranch@Capitalbank.jo
3	Dabouq Branch	King Abdullah II Street	DabouqBranch@Capitalbank.jo
4	Al-Swaifieh Branch	Tariq Al Jundi street intersection with the Ali Nasuh Al Taher Street - Alswaifieh	SweifyiehBranch@Capitalbank.jo
5	Majdi Mall – Ground Floor Branch	Queen Rania Al-Abdullah Street	MajdiMallBranch@Capitalbank.jo
6	Wehdat Branch	Madaba Street – Wehdat	WehdatBranch@Capitalbank.jo
7	Free zone – Zarqa Branch	Vehicles Licensing Area	FreeZoneBranch@Capitalbank.jo
8	Irbid Branch	Al-Huson Street – Irbid	IrbidBranch@Capitalbank.jo
9	Aqaba Branch	Annahdah Street – Aqaba	AqabaBranch@Capitalbank.jo
10	Al-Gardens Branch	Wasfi Al-Tall Street – Building No. 115	ALGardenzBranch@Capitalbank.jo
11	New Zarqa Branch	New Zarqa – 36 Street – Kurdi Plaza	ZarqaNewBranch@Capitalbank.jo
12	Taj Mall Branch	Taj Mall Zahran Area Southern Abdoun	TajMallBranch@Capitalbank.jo
13	Abdoun Branch – Wealth & Private Banking Center	Cairo Street - Northern Abdoun	WPB@Capitalbank.jo