# Capital Bank of Jordan

## Interim Condensed Consolidated Financial Statements

## (Reviewed not audited)

## 30 June 2021

**Review Report on Interim Condensed Consolidated Financial Statements**
**To The Chairman and Board Of Directors Of Capital Bank of Jordan**
**(Public Shareholding Company)**

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Capital Bank of Jordan (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2021 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three and six month ended 30 June 2021, and the interim condensed consolidated statements of changes in equity and cash flows for the six months then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (34) "interim financial reporting" as amended by the Central Bank of Jordan instructions. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not properly prepared, in all material respects, in accordance with International Accounting Standard (34) as amended by the Central Bank of Jordan instructions.

For and on behalf of PricewaterhouseCoopers "Jordan"

Hazem Sababa
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29 July 2021

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**Capital Bank of Jordan**
**Interim Condensed Consolidated Statement of Financial Position**
**As at 30 June 2021 (Reviewed not audited)**

| | Note | 30 June 2021 | 31 December 2020 |
|---|---|---|---|
| | | JD | JD |
| | | (Reviewed not audited) | (Audited) |
| **Assets** | | | |
| Cash and balances at central banks | 4 | 235,724,104 | 295,853,517 |
| Balances at banks and financial institutions | 5 | 218,220,343 | 142,537,265 |
| Financial assets at fair value through other comprehensive income | 6 | 128,149,521 | 89,577,134 |
| Loans and Advances measured at fair value through statement of income | 7 | 97,787,643 | 112,529,504 |
| Direct credit facilities, net | 8 | 1,807,551,077 | 1,302,958,951 |
| Financial assets at amortized cost | 9 | 862,999,839 | 563,884,457 |
| Financial assets pledged as collateral | 10 | - | 32,599,621 |
| Property and equipment, net | | 56,679,036 | 38,873,085 |
| Intangible assets, net | | 22,468,870 | 21,705,921 |
| Deferred tax assets | | 21,946,777 | 15,562,847 |
| Other assets | 11 | 140,556,069 | 128,779,976 |
| Right-of-use leased assets | | 10,691,715 | 3,943,039 |
| **Total Assets** | | **3,602,774,994** | **2,748,805,317** |
| **Liabilities And Equity** | | | |
| **Liabilities** | | | |
| Banks and financial institutions’ deposits | | 257,759,105 | 138,058,853 |
| Customers' deposits | 12 | 2,277,389,568 | 1,674,212,806 |
| Margin accounts | | 226,585,156 | 151,723,382 |
| Loans and borrowings | 13 | 342,050,660 | 329,991,227 |
| Income tax provision | 16 | 4,490,157 | 4,887,737 |
| Deferred tax liabilities | | 2,591,262 | 2,815,978 |
| Sundry provisions | 15 | 3,034,636 | 3,518,481 |
| Expected credit losses provision against off-balance sheet items | 28 | 6,667,054 | 4,360,854 |
| Other liabilities | 17 | 65,399,809 | 51,204,957 |
| Leased liabilities | | 11,407,647 | 3,983,732 |
| Subordinated loan | 14 | 28,360,000 | 28,360,000 |
| **Total Liabilities** | | **3,225,735,054** | **2,393,118,007** |
| **Equity** | | | |
| **Equity attributable to the Bank’s shareholders** | | | |
| Issued and paid in capital | 1 | 200,000,000 | 200,000,000 |
| Additional paid in capital | | 709,472 | 709,472 |
| Statutory reserve | | 44,186,425 | 44,186,425 |
| Treasury stocks | | - | (2,707,491) |
| Foreign currency translation adjustments | | (16,540,837) | (16,540,837) |
| Fair value reserve | 18 | 3,519,096 | 3,619,029 |
| Retained earnings | 19 | 55,034,977 | 78,096,479 |
| Current period profits | | 41,409,915 | - |
| **Total net equity attributable to the Bank’s shareholders** | | **328,319,048** | **307,363,077** |
| **Non-controlling interest** | | **48,720,892** | **48,324,233** |
| **Total Equity** | | **377,039,940** | **355,687,310** |
| **Total Liabilities and Equity** | | **3,602,774,994** | **2,748,805,317** |

The accompanying notes from 1 to 35 are an integrated part of these interim condensed consolidated financial statements and should be read within conjunction and with the accompanying review report.

**Capital Bank of Jordan**

**Interim Condensed Consolidated Statement of Income**

**For the Three and Six Months Period Ended 30 June 2021 (Reviewed not audited)**

| | | For the 3 months ended | | For the 6 months ended | |
|---|---|---|---|---|---|
| | Note | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| | | JD | JD | JD | JD |
| Interest income | 20 | 46,331,013 | 31,699,409 | 81,873,720 | 61,243,684 |
| Less: Interest expense | 21 | 19,749,580 | 14,521,771 | 35,768,170 | 30,217,061 |
| **Net interest income** | | **26,581,433** | **17,177,638** | **46,105,550** | **31,026,623** |
| Commission income | | 8,206,483 | 6,619,627 | 14,818,062 | 12,384,839 |
| Less: Commission Expense | | 1,201,424 | 518,162 | 2,072,233 | 895,680 |
| **Net commission income** | | **7,005,059** | **6,101,465** | **12,745,829** | **11,489,159** |
| Gain from foreign currencies | | 1,991,155 | 2,784,034 | 2,155,110 | 3,973,514 |
| Dividends income from financial assets at fair value through other comprehensive income | 6 | 64,006 | 174,009 | 115,084 | 190,362 |
| Gain from sale of financial assets at fair value through other comprehensive income - Debt instruments | | 21,019 | 67,256 | 21,019 | 67,256 |
| Other income | 22 | 1,018,596 | 1,138,221 | 1,890,705 | 2,262,936 |
| **Gross profit** | | **36,681,268** | **27,442,623** | **63,033,297** | **49,009,850** |
| | | | | | |
| Employees' expenses | | 8,231,793 | 4,601,932 | 14,570,301 | 10,561,831 |
| Depreciation and amortization | | 2,596,761 | 1,460,977 | 4,142,362 | 2,886,495 |
| Other expenses | | 5,976,280 | 5,005,337 | 9,628,676 | 8,429,956 |
| Donations to fight Corona Virus Pandemic | | - | - | - | 1,178,739 |
| (Gains) losses on sale of seized property | | 24,695 | (1,470) | 333,773 | (1,780) |
| Impairment and expected credit losses on financial assets | 29-4 | 8,240,089 | 7,163,944 | 11,139,282 | 9,081,668 |
| Impairment on seized assets | 11 | 649,705 | (740,525) | 767,467 | (740,525) |
| Sundry provisions | 15 | 41,237 | - | 41,237 | - |
| **Total expenses** | | **25,760,560** | **17,490,195** | **40,623,098** | **31,396,384** |
| Result of acquisition | 35 | 4,921,962 | - | 28,077,962 | - |
| Expenses of acquisition | 35 | - | - | (2,701,444) | - |
| **Income before tax** | | 15,842,670 | 9,952,428 | 47,786,717 | 17,613,466 |
| Less: Income tax expense | 16 | 2,621,823 | 1,999,643 | 4,759,580 | 3,576,960 |
| **Income for the period** | | **13,220,847** | **7,952,785** | **43,027,137** | **14,036,506** |
| **Attributable to:** | | | | | |
| Bank's shareholders | | 12,068,587 | 6,289,267 | 41,409,915 | 11,310,106 |
| Non - controlling interest | | 1,152,260 | 1,663,518 | 1,617,222 | 2,726,400 |
| | | **13,220,847** | **7,952,785** | **43,027,137** | **14,036,506** |
| | | **JD/Fils** | **JD/Fils** | **JD/Fils** | **JD/Fils** |
| Basic and diluted earnings per share from profit for the period attributable to the bank's shareholders | 23 | **0.060** | **0.031** | **0.207** | **0.057** |

**Capital Bank of Jordan**

**Interim Condensed Consolidated Statement of Comprehensive Income**

**For the Three and Six Months Period Ended 30 June 2021 (Reviewed not audited)**

| | For the 3 months ended | | For the 6 months ended | |
|---|---|---|---|---|
| | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| | JD | JD | JD | JD |
| **Income for the period** | 13,220,847 | 7,952,785 | 43,027,137 | 14,036,506 |
| **Add: Items that may be reclassified to profit or loss in subsequent periods after excluding the impact of tax:** | | | | |
| Change in the fair value of debt investments at fair value through other comprehensive income | 1,579,889 | 3,924,785 | 270,859 | (2,991,630) |
| **Add: Other comprehensive income 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 investments at fair value through other comprehensive income | 446,771 | (215,889) | 650,481 | (887,116) |
| **Total other comprehensive income for the period, net of tax** | **2,026,660** | **3,708,896** | **921,340** | **(3,878,746)** |
| **Total comprehensive income for the period** | **15,247,507** | **11,661,681** | **43,948,477** | **10,157,760** |
| **Attributable to:** | | | | |
| Bank's shareholders | 13,858,949 | 9,089,501 | 41,834,234 | 8,657,350 |
| Non-controlling interest | 1,388,558 | 2,572,180 | 2,114,243 | 1,500,410 |
| | **15,247,507** | **11,661,681** | **43,948,477** | **10,157,760** |

**Capital Bank Of Jordan**

**Interim Condensed Consolidated Statement of Cash Flows**

**For the Period Ended 30 June 2021 (Reviewed not audited)**

| | Note | 30 June 2021 | 30 June 2020 |
|---|---|---|---|
| **Operating Activities** | | JD | JD |
| Profit before income tax | | 47,786,717 | 17,613,466 |
| **Adjustments for Non-Cash Items** | | | |
| Depreciation and amortization | | 4,142,362 | 2,886,495 |
| Impairment and expected credit loss on financial assets | | 11,139,282 | 9,081,668 |
| (Recovered by) Impairment on assets seized by the bank | | 767,467 | (740,525) |
| Result of acquisition | | (28,077,962) | - |
| Sundry provisions | | (41,237) | - |
| Net accrued interest paid (received) | | (5,241,559) | (2,426,555) |
| Effect of exchange rate changes on cash and cash equivalents | | (938,854) | 3,574,677 |
| **Cash flows from operating activities before changes in assets and liabilities** | | **29,536,216** | **29,989,226** |
| **Changes in assets and liabilities -** | | | |
| Restricted balances | | (171) | (4,933,696) |
| Balances at central banks | | 11,543,225 | 1,948,497 |
| Banks and financial institutions' deposits | | - | 403,875 |
| Financial assets at fair value through Income statement | | - | 3,054,812 |
| Direct credit facilities | | (265,420,062) | (164,592,075) |
| Other assets | | 4,147,489 | (15,931,365) |
| Banks and financial institutions' deposits maturing in more than three months | | - | (5,000,000) |
| Customers' deposits | | 215,699,252 | 193,597,109 |
| Margin accounts | | 6,746,326 | (11,762,896) |
| Other liabilities | | 3,650,218 | 9,599,098 |
| Paid sundry provisions | | (483,845) | (318,684) |
| **Net cash flow from operating activities before income tax** | | **5,418,648** | **36,053,901** |
| Income tax paid | | (5,852,430) | (6,472,961) |
| **Net cash flow from (used in) operating activities** | | **(433,782)** | **29,580,940** |
| **Investing Activities** | | | |
| Purchase of financial assets at fair value through other comprehensive income | | (38,255,176) | (18,643,046) |
| Sale of financial assets at fair value through other comprehensive income | | 1,790,386 | 4,034,594 |
| Cash as a result of acquisition | | 78,697,250 | - |
| Purchase of financial assets at amortized cost | | (264,830,678) | (146,629,588) |
| Matured financial assets at amortized cost | | 119,756,958 | 10,181,373 |
| Change in financial assets pledged as collateral | | 32,599,621 | - |
| Purchase of property and equipment | | (5,176,033) | (3,623,796) |
| Purchase of intangible assets | | (259,992) | (3,930,047) |
| **Net cash flow (used in) investing activities** | | **(75,677,664)** | **(158,610,510)** |
| **Financing Activities** | | | |
| Proceeds from loans and borrowings | | 97,151,691 | 89,431,340 |
| Repayment of loans and borrowings | | (91,986,877) | (37,521,697) |
| Treasury stocks | | 5,109,406 | - |
| Cash dividends | | (27,705,253) | - |
| Net cash flow used in financing activities | | **(17,431,034)** | **51,909,643** |
| Net decrease in cash and cash equivalents | | (93,542,479) | (77,119,927) |
| Effect of exchange rate changes on cash and cash equivalents | | 938,854 | (3,574,677) |
| Cash and cash equivalent at the beginning of the period | | 263,032,649 | 164,728,916 |
| **Cash and cash equivalent at the end of the period** | 24 | **170,429,024** | **84,034,312** |

The accompanying notes from 1 to 35 are an integrated part of these interim condensed consolidated financial statements and should be read within conjunction and with the accompanying review report.

**Capital Bank of Jordan**

**Interim Condensed Consolidated Statement of Changes in Owners Equity**

**For the Six Months Period Ended 30 June 2021 (Reviewed not audited)**

| | Issued and Paid in Capital | Additional paid in capital | Statutory Reserves | Treasury Stocks | Foreign currency translation adjustments | Fair value reserve | Retained earnings* | Net Income for the period attributable to the Bank's shareholders | Equity attributable to the Bank's shareholders | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **30 June 2021** | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Balance at 01 January 2021** | 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 |
| Profit for the year | - | - | - | - | - | - | - | 41,409,915 | 41,409,915 | 1,617,222 | 43,027,137 |
| Change in fair value of financial assets through other comprehensive income | - | - | - | - | - | 424,319 | - | - | 424,319 | 497,021 | 921,340 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **424,319** | **-** | **41,409,915** | **41,834,234** | **2,114,243** | **43,948,477** |
| Realized gain from selling financial assets at fair value through other comprehensive income - equity instruments | - | - | - | - | - | (524,252) | 524,252 | - | - | - | - |
| Sale of treasury stocks from subsidiaries | - | - | - | 2,707,491 | - | - | 414,246 | - | 3,121,737 | 1,987,669 | 5,109,406 |
| Cash dividends (Note 33) | - | - | - | - | - | - | (24,000,000) | - | (24,000,000) | (3,705,253) | (27,705,253) |
| **Balance at 30 June 2021** | **200,000,000** | **709,472** | **44,186,425** | **-** | **(16,540,837)** | **3,519,096** | **55,034,977** | **41,409,915** | **328,319,048** | **48,720,892** | **377,039,940** |
| **30 June 2020** | | | | | | | | | | | |
| **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 | - | - | - | - | - | - | - | 11,310,106 | 11,310,106 | 2,726,400 | 14,036,506 |
| Change in fair value of financial assets through Other Comprehensive Income - Equity Instruments | - | - | - | - | - | (2,652,756) | - | - | (2,652,756) | (1,225,990) | (3,878,746) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **(2,652,756)** | **-** | **11,310,106** | **8,657,350** | **1,500,410** | **10,157,760** |
| Realized gain from selling financial assets at fair value through other comprehensive income - equity instruments | - | - | - | - | - | 592,815 | (592,815) | - | - | - | - |
| **Balance at 30 June 2020** | **200,000,000** | **709,472** | **41,201,491** | **-** | **(5,223,143)** | **(423,144)** | **54,812,034** | **11,310,106** | **302,386,816** | **55,249,990** | **357,636,806** |

* Retained earnings include JD 21,946,777 which represents deferred tax assets as at 30 June 2021 against JD 15,562,847 as at 31 December 2020, according to the Central Bank of Jordan's regulations these balances are restricted.

* Retained earnings as at 30 June 2021 and 31 December 2020 amounts to JD 962,559, this amount is related to the measurements and classifications as a result of the early adoption of IFRS 9. This amount is not available for distribution according to the Securities and Exchange Commission regulations until the amount becomes realized .

_ An amount equals to the negative balance of fair value reserve is restricted within retained earnings and cannot be utilized.

_ The general banking risks reserve is a restricted reserve against the implementation of IFRS 9 regarding the Central Bank of Jordan that issued Circular No.10/1/1359 on 25 January 2018. The unutilized balance amounted to 8,840,593 as at 30 June 2021 and 31 December 2020 which is included in the retained earnings. This amount cannot be distributed to shareholders and / or used for other purposes except with the approval of the Central Bank of Jordan.

**(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 twenty six 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.

The Interim Consolidated Financial Statements were authorized for issue by the Board of Directors in their meeting 10/2021 held on 27 July 2021.

**(2) Accounting Policies**

**(2-1) Basis Of Preparation of the interim consolidated financial reporting**

The accompanying interim consolidated financial statements of the bank and its subsidiaries (together the "Group") have been prepared in accordance with International Accounting Standard number 34 "Interim Financial Reporting" endorsed by the instructions of the Central Bank of Jordan.

The interim consolidated financial statements have been presented in Jordanian Dinars .

**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:**

a) 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:

- 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.

- 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 condensed consolidated interim financial statements do not include all the information and explanations required for the annual financial statements prepared in accordance with the International Financial Reporting Standards, as amended in accordance with the instructions of the Central Bank of Jordan, and it must be read with the bank's annual report as of December 31, 2020, and the business results for the six Months ending June 30, 2021 are not necessarily indicative of the expected results for the year ending December 31, 2021.

**(2-2) 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 121,404,110 as at 30 June 2021. 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 30 June 2021. 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 30 June 2021. The purpose of the company is to offer financial consulting services. The company was registered and incorporated on 23 February 2015.

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.

**(3) Significant Accounting Policies**

**(3-1) Changes in accounting policies**

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of the Bank's audited financial statements for the year ended 31 December 2020 except for the policies in relation to adoption of the new International Financial Reporting Standards (IFRSs) which became effective as of 1 January 2020.

**(a) New standards issued and applicable for the annual periods starting on or after 1 January 2021 which has been followed by the group:**
The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2**
The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. Due to the prevalent nature of IBOR-based contracts, adjustments can affect companies across all sectors. The amendments are effective as of January 1, 2021.

**Amendments to IFRS 17 and IFRS 4, 'Insurance contracts' deferral of IFRS 9**
These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions**
As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The above amendment and interpretation did not have significant impact on the interim condensed consolidated financial statements.

**(b) New standards issued and not yet applicable or early adopted by the Group for the periods starting on or after 1 January 2021:**

| Standard | Description | Effective Date |
|---|---|---|
| **IFRS 17, 'Insurance contracts'** | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. | 1 January 2023 |
| **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. | 1 January 2022 |
| **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16** | • **Amendments to IFRS 3,' Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.<br>• **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.<br>• **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.<br>• **Annual improvements** make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, ' Leases'. | 1 January 2022 |

Management doesn't believe that the above standards will have any impact on the interim condensed consolidated financial statements of the Group once adopted or become effective.

There are no any other new standards or interpretations published that should be adopted by the Group for the annual periods starting on or after 1 January 2021 and which could have a material impact on the Group's interim condensed consolidated financial statements.

**(3-2) Critical Accounting Estimates and Judgements, and Risk Management**

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts recognized for assets, liabilities, income and expenses. Actual results may differ from estimates.

In order to prepare these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the main sources of unconfirmed estimates were the same as those applied to the Group's audited consolidated financial statements as in and for the year ended December 31, 2020, with the continuing impact of COVID-19 outbreak, which required the administration to change some assumptions of expected loss model during 2020 as follows:

**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).

**Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9**

Financial assets at amortized cost are required to be moved from the current stage to the next one if and only if they have been the subject of a SICR since origination. In accordance with IFRS 9 SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

The Group has initiated a programmed of payment holidays for its customers operating in highly impacted sectors by deferring interest/principal due for a period of one month to three months. These payment holidays are considered as short-term liquidity to address borrowers' cash flow issues. The holidays offered to customers may indicate a SICR. However, the Group believes that the extension of these payment holidays do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of Jordan as referred to in its issued circular (no. 10/3/4375 issued on 15 March 2021 which has not considered the arrangements over the impacted sectors during this period as rescheduling or restructuring of credit facilities for the period for the purpose of assessing the SICR) and accordingly was not considered as modification of the terms of contract.

**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 March 30, 2021, 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. Initiatives of the Central Bank of Jordan and the Jordan Loan Guarantee Corporation
2. Central Bank instructions regarding postponement of loan installments and interest
3. Governmental initiatives and the Social Security Corporation
4. Reducing interest rates
5. 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 scenario for the economic indicators was (60%), while the (Downside) and (Upside) level reached (40%) and (0%), respectively.
2. Modifying the assessment of the risks of the economic sectors affected by the Covid-19 epidemic, as the assessment of their risks increased in most of them to approach (High Risk)
3. Adjusting the probability of default (PD%) associated with assessing the risks of each economic sector, in line with expectations of a high default rate and the realization of the scenarios of economic factors
4. Adjustment of Loss upon Default (LGD%) ratios, as the rates of deductions and the expected recovery period for real estate guarantees, car and machinery mortgages, and pledged shares increased.

As of June 30, 2021, the group studied 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.

**(4) Cash and Balances with Central Banks**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| Cash on hand | 74,758,368 | 67,920,621 |
| Cash and Balances at Central Banks | 119,568,071 | 150,664,838 |
| Cash and Balances at the Iraqi Central Banks | 41,397,665 | 77,268,058 |
| **Cash & Balances with Central Banks** | **235,724,104** | **295,853,517** |

- Statutory cash reserve amounted to JD 96,247,742 as at 30 June 2021 against JD 72,494,663 as at 31 December 2020.

- There are no due balances during the period exceeding three months as at 30 June 2021 and 31 December 2020.

- The statutory reserves held at the Central Bank of Iraq amounting to JD 19,649,409 as at 30 June 2021 against 31,192,718 as at 31 December 2020 which is excluded from cash and cash equivalents for interim consolidated cash flow statement purposes.

-There are no expected credit losses on deposits at central banks as of 30 June 2021 and 31 December 2020 according to IFRS 9.

**Movements of balances with central banks related to expected credit loss during the period:-**

**30 June 2021 (Reviewed not audited)**

| | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| Balance at 1 January 2021 | 295,853,517 | - | - | 295,853,517 |
| Add: new balances during the period | 19,047,517 | - | - | 19,047,517 |
| Settled balances | (79,176,930) | - | - | (79,176,930) |
| **Total balance as at 30 June 2021** | **235,724,104** | **-** | **-** | **235,724,104** |

| **31 December 2020 (Audited)** | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance 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) |
| **Total balance as at 31 December 2020** | **295,853,517** | **-** | **-** | **295,853,517** |

**(5) Balances at banks and financial institutions**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| **Cash and balances at banks and financial institutions** | (Reviewed not audited) | (Audited) |
| Current Account | 106,938,878 | 98,989,251 |
| Short term deposits | 111,350,350 | 43,616,970 |
| **Total** | **218,289,228** | **142,606,221** |
| Less: Expected credit losses | (68,885) | (68,956) |
| **Total Balances at Banks & Financial Institutes** | **218,220,343** | **142,537,265** |

- Non-interest bearing balances at banks and financial institutions amounted to JD 106,647,373 as at 30 June 2021 against JD 98,989,251 as at 31 December 2020.

- Restricted balances amounted to JD 6,106,909 as at 30 June 2021 against JD 6,106,562 as at 31 December 2020.

**Movements of balances with banks and financial institutions related to expected credit loss during the period :-**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 142,516,324 | 20,806 | 69,091 | 142,606,221 |
| New balances during the period | 82,720,212 | - | - | 82,720,212 |
| Settled balances | (7,034,647) | (2,487) | (71) | (7,037,205) |
| **Total balance as at 30 June 2021** | **218,201,889** | **18,319** | **69,020** | **218,289,228** |

| 31 December 2020 (Audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 98,086,703 | 181,632 | - | 98,268,335 |
| New balances during the year | 82,437,259 | - | - | 82,437,259 |
| Settled balances | (33,397,384) | (160,826) | - | (33,558,210) |
| Transfer from the first stage during the period | (56,458) | - | 56,458 | - |
| Adjustments due to change in exchange rates | (4,553,796) | - | 12,633 | (4,541,163) |
| **Total balance as at 31 December 2020** | **142,516,324** | **20,806** | **69,091** | **142,606,221** |

**Movements of provision for expected credit losses during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | - | - | 68,956 | 68,956 |
| Returns from impairment loss on balances and paid deposits | (13) | - | (71) | (84) |
| Additions due to Audi Acquisition | 13 | - | - | 13 |
| **Total balance as at 30 June 2021** | **-** | **-** | **68,885** | **68,885** |

| 31 December 2020 (Audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | - | - | - | - |
| Impairment Losses on deposits during the year | - | - | 67,702 | 67,702 |
| Adjustments due to change in exchange rates | - | - | 1,254 | 1,254 |
| **Total balance as at 31 December 2020** | **-** | **-** | **68,956** | **68,956** |

## (6) Financial Assets at Fair Value through Other Comprehensive Income

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| **Publicly listed assets** | **JD** | **JD** |
| | **(Reviewed not audited)** | **(Audited)** |
| Governmental Treasury bonds | 51,275,824 | 24,709,428 |
| Bonds, Corporate debt securities | 8,166,043 | 6,753,528 |
| Other government bonds | 33,661,167 | 33,735,685 |
| Quoted shares | 9,384,017 | 7,658,901 |
| **Total Financial assets at market value (listed)** | **102,487,051** | **72,857,542** |
| **Unlisted assets** | | |
| Treasury bonds | 4,072,547 | 4,123,384 |
| Governmental debt securities and its guarantee's | 7,177,800 | - |
| Unquoted shares | 14,434,147 | 12,621,139 |
| **Total Unlisted Financial Assets at Market Value** | **25,684,494** | **16,744,523** |
| Less: Expected credit loss | (22,024) | (24,931) |
| **Total Financial Assets at Fair Value through Other Comprehensive Income** | **128,149,521** | **89,577,134** |
| Analysis of bonds and bills: | | |
| Fixed Rate | 104,331,357 | 69,297,094 |
| **Total** | **104,331,357** | **69,297,094** |

- The cash dividends amounted to JD 115,084 and it reflects the shares that the bank owns in other companies as at 30 June 2021 against JD 190,362 as at 30 June 2020.

- Realized gains resulted from sales of financial assets at fair value through other comprehensive Income (equity Instruments) amounted to JD 524,252 as at 30 June 2021 against realized losses worth JD 592,815 as at 30 June 2020.

- Realized Gains resulted from sales of financial assets at fair value through other comprehensive Income (debt Instruments) amounted to JD 21,019 as at 30 June 2021 against realized losses worth JD 67,256 as at 30 June 2020.

- The provision for expected credit losses is not calculated on government bonds and treasury bills or bonds guaranteed by the Jordanian government in accordance with the requirements of the Central Bank of Jordan to the application of IFRS 9.

**Movements of financial assets at fair value through other comprehensive income during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 69,322,025 | - | - | 69,322,025 |
| Investments during the period | 28,739,221 | - | - | 28,739,221 |
| Settled balances | (976,665) | - | - | (976,665) |
| Transferred from pledged financial assets | 7,268,800 | - | - | 7,268,800 |
| **Total balance** | **104,353,381** | **-** | **-** | **104,353,381** |

| 31 December 2020 (Audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 45,087,299 | - | - | 45,087,299 |
| Investments during the year | 38,045,962 | - | - | 38,045,962 |
| Settled balances | (3,186,674) | - | - | (3,186,674) |
| Transferred to pledged financial assets | (7,268,800) | - | - | (7,268,800) |
| Changes due to Adjustments due to change in exchange rates | (3,355,762) | - | - | (3,355,762) |
| **Total balance** | **69,322,025** | **-** | **-** | **69,322,025** |

**Movements of provision on financial assets at fair value through other comprehensive income during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 24,931 | - | - | 24,931 |
| Impairment losses on investments through the period | 42 | - | - | 42 |
| Recoveries from impairment losses on investments | (2,949) | - | - | (2,949) |
| **Total balance** | **22,024** | **-** | **-** | **22,024** |

| 31 December 2020 (Audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 27,634 | - | - | 27,634 |
| Impairment losses on investments through the year | 6,581 | - | - | 6,581 |
| Recoveries from impairment losses on investments | (9,284) | - | - | (9,284) |
| **Total balance** | **24,931** | **-** | **-** | **24,931** |

**(7) Loans and advances measured at fair value - through statement of income**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| Loans and Advances | 112,529,504 | 108,831,500 |
| Recovered Facilities | (13,293,750) | - |
| Changes in Fair Value during the period | (1,448,111) | 3,698,004 |
| **Balance as of period / year end** | **97,787,643** | **112,529,504** |

- The Group granted a loan of $ 150,000,000, equivalent to JDs 106,350,000, with a fixed interest of 5.7% over a five-year repayment period and a one-year grace period. The loan's balance amounted $ 131,250,000 equivalent to JD 93,056,250 on 30 June 2021 against $ 150,000,000 equivalent to JD 106,500,000 on 31 December 2020. The Group has decided to hedge the risk of changes in interest rates in the markets by entering into forward interest contracts with a correspondent bank on similar contractual terms. As a result of this hedging, the bank rated the loan at fair value through the income statement in line with the classification and measurement of the corresponding hedging instrument.

**(8) Direct Credit Facilities - Amortized cost**

| | 30 June 2021 JD (Reviewed not audited) | 31 December 2020 JD (Audited) |
|---|---|---|
| **Retail customers** | | |
| Overdrafts | 16,383,846 | 16,277,618 |
| Loans and bills * | 331,179,620 | 167,684,666 |
| Credit cards | 13,116,635 | 7,765,329 |
| **Real estate Mortgages** | 213,847,919 | 164,756,741 |
| **Corporate Lending** | | |
| Overdrafts | 165,225,140 | 107,337,408 |
| Loans and bills * | 915,542,922 | 681,153,026 |
| **Small and medium enterprises “SMEs” facilities** | | |
| Overdrafts | 19,821,750 | 15,829,866 |
| Loans and bills * | 204,429,536 | 172,538,499 |
| **Government and public sector lending** | 87,870,150 | 60,023,731 |
| **Total** | **1,967,417,518** | **1,393,366,884** |
| Less: Suspended interest | 38,765,710 | 23,437,800 |
| Less: Expected Credit Loss / Impairment | 121,100,731 | 66,970,133 |
| **Net direct credit facilities** | **1,807,551,077** | **1,302,958,951** |

* Net of interest and commissions received in advance amounted to JD 1,782,903 as at 30 June 2021 against JD 2,069,155 as at 31 December 2020.

- Non-performing credit facilities amounted to JD 160,680,075 as at 30 June 2021 against JD 91,985,772 as at 31 December 2020 which represents 8.17 % of total direct credit facilities as at 30 June 2021 against 6.60% as at 31 December 2020.

- Non-performing credit facilities, net of suspended interest, amounted to JD 121,914,365 as at 30 June 2021 against JD 64,409,296 as at 31 December 2020 which represents 6.32 % as at June 2020 against 5.07 % as at 31 December 2020 of total direct credit facilities after excluding the suspended interest.

- There are no credit facilities granted or guaranteed by the government as of 30 June 2021 and 31 December 2020.
- The provision for expected credit losses is not calculated on the governmental or guaranteed credit facilities of the Jordanian Government in accordance with the requirements of the Central Bank of Jordan related to the application of IFRS 9.

**The cumulative movement of direct credit facilities during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 1,113,255,381 | 178,262,154 | 101,849,349 | 1,393,366,884 |
| Add: new balances during the period / Additions* | 406,887,405 | 44,630,549 | 5,464,724 | 456,982,678 |
| Settled balances | (138,739,410) | (39,080,227) | (9,377,961) | (187,197,598) |
| Transfer (from) to the first stage during the period - net | 20,530,475 | (20,474,609) | (55,866) | - |
| Transfer (from) to second stage during the period - net | (50,558,188) | 51,148,578 | (590,390) | - |
| Transferred (from) to the third stage during the period - net | (2,698,802) | (38,404,515) | 41,103,317 | - |
| Additions due to acquisition (note 35) | 165,529,109 | 66,629,024 | 58,228,855 | 290,386,988 |
| Adjustments due to change in exchange rates | 8,640,057 | 4,472,526 | 765,983 | 13,878,566 |
| **Total balance as at 30 June 2021** | **1,522,846,027** | **247,183,480** | **197,388,011** | **1,967,417,518** |

| 31 December 2020 (Audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 780,448,626 | 144,997,241 | 121,367,716 | 1,046,813,583 |
| Add: new balances during the period / 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 (from) to the first stage during the period - net | 26,115,384 | (14,317,915) | (11,797,469) | - |
| Transfer (from) to second stage during the period - net | (23,963,099) | 28,713,495 | (4,750,396) | - |
| Transferred (from) to the third stage during the period - net | (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) |
| **Total balance** | **1,113,255,381** | **178,262,154** | **101,849,349** | **1,393,366,884** |

* New balances during the period from the third stage represent interest in suspense added during the period

**The cumulative movement of the provision for impairment losses of direct credit facilities according Stages during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 5,868,144 | 9,803,637 | 51,298,352 | 66,970,133 |
| Impairment loss of direct credit facilities during the period | 4,700,744 | 2,522,245 | 23,239,931 | 30,462,920 |
| Recoveries from impairment losses | (3,357,644) | (6,544,015) | (10,718,055) | (20,619,714) |
| Transfer (from) to the first stage during the period - net | 384,909 | (364,693) | (20,216) | - |
| Transfer (from) to second stage during the period - net | (1,391,094) | 1,392,214 | (1,120) | - |
| Changes due to adjustments | 49,340 | 78,181 | - | 127,521 |
| Additions due to acquisition (Note 35) | 3,352,644 | 3,686,428 | 37,120,799 | 44,159,871 |
| **Net balance as at 30 June 2021** | **9,607,043** | **10,573,997** | **100,919,691** | **121,100,731** |

| 31 December 2020 (Audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 2,740,944 | 3,770,840 | 39,342,289 | 45,854,073 |
| Impairment loss of direct credit facilities during the year | 4,501,806 | 7,422,190 | 21,294,792 | 33,218,788 |
| Recoveries from impairment losses | (1,512,246) | (1,936,825) | (7,322,811) | (10,771,882) |
| Transfer (from) to the first stage during the year | 308,664 | (308,664) | - | - |
| Transfer (from) to second stage during the year | (354,905) | 354,921 | (16) | - |
| Transferred (from) to the third stage during the year | (3,115) | (7,259) | 10,374 | - |
| Changes due to adjustments as of end of year | 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** |

**Provision for impairment losses:**

**The movement of the provision for impairment losses of direct credit facilities during the period:-**

| 30 June 2021 (Reviewed not audited) | Retail | Real estate | Corporate | SMEs | Public and Government Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Balance at 1 January 2021 | 6,841,990 | 7,385,219 | 40,561,724 | 12,181,200 | - | 66,970,133 |
| Impairment loss of direct credit facilities during the year | 2,661,356 | 811,559 | 23,244,389 | 3,713,471 | 32,145 | 30,462,920 |
| Recoveries from impairment losses | (2,707,993) | (9,161,261) | (6,366,401) | (2,384,059) | - | (20,619,714) |
| Transfer (from) to the first stage | 192,504 | (140,793) | (495,601) | 172,676 | - | (271,214) |
| Transfer (from) to second stage | (192,504) | 140,793 | 495,601 | (172,676) | - | 271,214 |
| Changes due to adjustments | 18,890 | 1,570 | 76,191 | 30,870 | - | 127,521 |
| Additions due to acquisition (note 36) | 11,344,496 | 10,345,947 | 20,360,914 | 2,108,514 | - | 44,159,871 |
| **Net balance** | **18,158,739** | **9,383,034** | **77,876,817** | **15,649,996** | **32,145** | **121,100,731** |

| 31 December 2020 (Audited) | Retail | Real estate | Corporate | SMEs | Public and Government Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Balance 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 from impairment losses | (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 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** |

**Interest in suspense**

The movement of interest in suspense is as follow:

| | Retail | Real estate | Corporate | SMEs | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| **30 June 2021 (Reviewed not audited)** | | | | | |
| Balance at 1 January 2021 | 3,287,310 | 3,222,152 | 11,655,538 | 5,272,800 | 23,437,800 |
| Suspended interest during the period | 873,853 | 827,363 | 2,933,615 | 829,893 | 5,464,724 |
| Interest transferred to income | (286,477) | (622,807) | (880,947) | (619,721) | (2,409,952) |
| Additions during period of acquisition (Note 35) | 1,939,300 | 1,937,994 | 7,068,909 | 1,326,935 | 12,273,138 |
| **Balance at the end of the period** | **5,813,986** | **5,364,702** | **20,777,115** | **6,809,907** | **38,765,710** |
| | | | | | |
| **31 December 2020 (Audited)** | | | | | |
| Balance at 1 January 2020 | 3,000,973 | 2,305,645 | 9,256,316 | 3,372,535 | 17,935,469 |
| Suspended interest during the year | 953,579 | 1,265,926 | 5,601,942 | 2,499,520 | 10,320,967 |
| Interest transferred to income | (465,629) | (349,419) | (1,709,119) | (391,169) | (2,915,336) |
| 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** |

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

| | Inside Jordan | Outside Jordan | 30 June 2021 | 31 December 2020 |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| | (Reviewed not audited) | (Reviewed not audited) | (Reviewed not audited) | (Audited) |
| Financial | 53,459,402 | - | 53,459,402 | 24,137,414 |
| Industrial | 197,015,861 | 18,988,433 | 216,004,294 | 156,683,495 |
| Commercial | 284,588,225 | 110,989,477 | 395,577,702 | 318,572,460 |
| Real estate and Construction | 372,704,477 | 50,611,957 | 423,316,434 | 322,145,135 |
| Tourism and hotels | 91,264,978 | - | 91,264,978 | 46,809,774 |
| Agriculture | 51,314,439 | 10,982,138 | 62,296,577 | 38,090,438 |
| Shares | 87,132,655 | - | 87,132,655 | 81,799,133 |
| Services utilities and public | 103,844,448 | - | 103,844,448 | 84,043,767 |
| Transportation services (including air transportation) | 75,343,776 | - | 75,343,776 | 52,831,926 |
| Government and public sector | 87,870,150 | - | 87,870,150 | 60,023,731 |
| Retail | 255,328,710 | 90,161,447 | 345,490,157 | 177,697,588 |
| Other | 13,361,466 | 12,455,479 | 25,816,945 | 30,532,023 |
| **Total** | **1,673,228,587** | **294,188,931** | **1,967,417,518** | **1,393,366,884** |

## (9) Financial Assets At Amortized Cost

**Financial assets at amortized cost with no market prices**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| Treasury bonds | 189,227,762 | 77,199,293 |
| Governmental debt securities | 604,828,545 | 447,477,050 |
| Governmental debt securities and its guarantee | 44,439,171 | 30,503,143 |
| Bonds, Corporate debt securities | 9,245,000 | 9,245,000 |
| Other government bonds | 16,956,131 | - |
| **Total financial assets with no market value** | **864,696,609** | **564,424,486** |
| Less: Impairment allowance and expected credit losses | (1,696,770) | (540,029) |
| **Total Financial assets at amortized cost** | **862,999,839** | **563,884,457** |
| Analysis of bonds and bills: | | |
| Fixed Rate | 855,436,937 | 552,321,485 |
| Floating rate | 7,562,902 | 11,562,972 |
| **Total** | **862,999,839** | **563,884,457** |

**Financial Assets At Amortized Cost**

**Movements of Financial Assets at Amortized Cost during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 558,724,486 | 5,200,000 | 500,000 | 564,424,486 |
| New balances during the period | 240,009,718 | - | - | 240,009,718 |
| Settled balances | (119,766,818) | - | - | (119,766,818) |
| Transferred to the third stage during the period | - | (5,200,000) | 5,200,000 | - |
| Transferred to Pledged Assets | 24,830,821 | - | - | 24,830,821 |
| Additions during the period due to acquisitions | 155,198,402 | - | - | 155,198,402 |
| **Total balance** | **858,996,609** | **-** | **5,700,000** | **864,696,609** |

| 31 December 2020 (Audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 477,677,059 | - | 5,700,000 | 483,377,059 |
| New balances during the year | 81,385,377 | - | - | 81,385,377 |
| Settled balances | (22,497,613) | - | - | (22,497,613) |
| Transferred to the third stage during the period | - | 5,200,000 | (5,200,000) | - |
| Transferred to Pledged Financial Assets | (25,330,821) | - | - | (25,330,821) |
| Transferred from Pledged Assets | 47,490,484 | - | - | 47,490,484 |
| **Total balance** | **558,724,486** | **5,200,000** | **500,000** | **564,424,486** |

**Movements of provision on of Financial Assets at Amortized Cost during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 8,652 | 31,377 | 500,000 | 540,029 |
| Impairment losses on investments throughout the period | 14,671 | - | 1,149,291 | 1,163,962 |
| Recoveries from impairment | (7,221) | - | - | (7,221) |
| Transferred to the third stage during the period | - | (31,377) | 31,377 | - |
| **Total balance** | **16,102** | **-** | **1,680,668** | **1,696,770** |

| 31 December 2020 (Audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 49,967 | - | 500,000 | 549,967 |
| Impairment losses on investments throughout the year | - | 31,377 | - | 31,377 |
| Recoveries from impairment | (41,315) | - | - | (41,315) |
| **Total balance** | **8,652** | **31,377** | **500,000** | **540,029** |

**(10) Financial Assets Pledged as Collateral**

| | 30 June 2021 (Reviewed not audited) JD | | 31 December 2020 (Audited) JD | |
|---|---|---|---|---|
| | Pledged financial assets (Note 15) | Associated financial liabilities | Pledged financial assets | Pledged financial liabilities |
| Financial assets at amortized cost (Jordanian Government Bonds) | - | - | 25,330,821 | 26,094,227 |
| Financial assets at fair value through other comprehensive income (Bonds granted by the Jordanian government) | - | - | 7,268,800 | 7,487,863 |
| **Total** | **-** | **-** | **32,599,621** | **33,582,090** |

- The provision for expected credit losses is not calculated for mortgaged Jordanian government bonds in accordance with the instructions of the Central Bank of Jordan related to the implementation of IFRS 9.

**(11) Other Assets**

This item consists of the following:

| | 30 June 2021 JD (Reviewed not audited) | 31 December 2020 JD (Audited) |
|---|---|---|
| Accrued interest and revenue | 30,236,856 | 21,268,858 |
| Prepaid expenses | 6,724,294 | 2,504,395 |
| Collaterals seized by the bank against matured debts* - net | 63,892,079 | 59,040,733 |
| Purchased banks acceptances at amortized cost- net | 20,795,808 | 34,452,639 |
| Assets / derivatives unrealized gain | 505,014 | 610,863 |
| Refundable deposits | 7,163,195 | 3,535,961 |
| Others - net* | 11,238,823 | 7,366,527 |
| **Total** | **140,556,069** | **128,779,976** |

* 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 of 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 following is summary of the movement of assets seized by the bank:**

| | 30 June 2021 JD (Reviewed not audited) | 31 December 2020 JD (Audited) |
|---|---|---|
| Balance at the beginning of the period | 59,040,733 | 67,172,269 |
| Additions during the period / year | 7,625,106 | 4,285,416 |
| Additions during the period / year due to acquisition(s) | 2,719,518 | - |
| Retirements during the period / year | (4,725,811) | (10,605,647) |
| Impairment losses during the period / year | - | (1,004,170) |
| Releases from seized real estate during the period / year | (767,467) | 1,020,208 |
| Foreign currency translation differences | - | (1,827,343) |
| **Balance at the end of the period** | **63,892,079** | **59,040,733** |

**Movements of bank acceptances and export documents and bills purchased during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 34,421,014 | 148,595 | - | 34,569,609 |
| New balances during the period | 15,646,610 | - | - | 15,646,610 |
| Settled balances | (29,204,734) | (148,595) | - | (29,353,329) |
| **Total balance** | **20,862,890** | **-** | **-** | **20,862,890** |

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

**Movements of provisions on bank acceptances and export documents and bills purchased during the period:-**

| 30 June 2021 (Reviewed not audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 112,298 | 4,672 | - | 116,970 |
| Impairment loss of direct credit facilities during the period | 50,677 | - | - | 50,677 |
| Recoveries from impairment | (95,893) | (4,672) | - | (100,565) |
| **Total balance** | **67,082** | **-** | **-** | **67,082** |

| 31 December 2020 (Audited) | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance 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) |
| **Total balance** | **112,298** | **4,672** | **-** | **116,970** |

**(12) Customers' Deposits**

This item consists of the following:

| 30 June 2021 (Reviewed not audited) | Retail | Corporate | SMEs | Government and public Sectors | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Current and demand deposits | 242,179,998 | 342,853,216 | 89,789,944 | 7,114,580 | 681,937,738 |
| Saving accounts | 112,777,031 | 1,203 | 94,252 | - | 112,872,486 |
| Time and notice deposits | 917,144,991 | 386,036,587 | 42,677,266 | 103,300,074 | 1,449,158,918 |
| Certificates of deposit | 33,420,426 | - | - | - | 33,420,426 |
| **Total** | **1,305,522,446** | **728,891,006** | **132,561,462** | **110,414,654** | **2,277,389,568** |

| 31 December 2020 (Audited) | 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** |

- The deposits of government and general public sector inside Jordan amounted to JD 110,414,654 representing 4.85 % of the total deposits as at 30 June 2021 against JD 148,872,910 representing 8.89% as at 31 December 2020.
- Non-interest bearing deposits amounted to JD 714,603,020 representing 31.38 % of total deposits as at 30 June 2021 against JD 426,458,931 representing 25.47% of the total deposits as at 31 December 2020.
- Reserved deposits (restricted withdrawals) as at 30 June 2021 amounted to JD 21,482,077 and JD 13,645,671 as at 31 December 2020.
- Dormant deposits amounted to JD 11,606,908 as at 30 June 2021 against JD 6,390,038 as at 31 December 2020.

**(13) Loans and Borrowings**

The details are as follows :

| 30 June 2021 (Reviewed not audited) | Amount | Number of Installments Total | Number of Installments Outstanding | Frequency of Instalments | Collaterals | Interest rate | Re-financed Interest rate |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | | JD | % | |
| Amounts borrowed from central banks | 193,428,758 | 14,547 | 13,606 | Monthly, semi annual, and upon maturity | - | 0% - 3.00% | 1.00% - 5.00% |
| Amounts borrowed from local banks and financial institutions | 60,000,000 | 7 | 7 | One payment | - | 4.30% - 7.00% | 4.00% - 11.32% |
| Amounts borrowed from foreign banks and financial institutions | 88,621,902 | 51 | 45 | Monthly, semi annual, and upon maturity | - | 1.45% - 2.28% | 3.75% - 5.80% |
| **Total** | **342,050,660** | | | | - | | |

| 31 December 2020 (Audited) | Amount | Number of Installments Total | Number of Installments Outstanding | Frequency of Instalments | Collaterals | Interest rate | Re-financed Interest rate |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | | JD | % | |
| Amounts borrowed from central banks | 184,704,862 | 12,704 | 12,176 | Monthly, semi annual, and upon maturity | 32,599,621 | 0.70% - 4.00% | 3.75% - 4.75% |
| Amounts borrowed from local banks and financial institutions | 55,000,000 | 6 | 6 | One payment | - | 5.25% - 7.00% | 4.50% - 12.40% |
| Amounts borrowed from foreign banks and financial institutions | 90,286,365 | 74 | 52 | Monthly, semi annual, and upon maturity | - | 1.77% - 6.25% | 3.87% - 12.00% |
| **Total** | **329,991,227** | | | | **32,599,621** | | |

• Borrowed money from Central Banks includes JD 193,428,758 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.

• The amounts borrowed from local institutions are all borrowed from the Jordan Mortgagee Refinance Company with a total amount of JD 60 Million. The loans mature during 2021 - 2023.

• Loans bearing fixed - interest rates amounted to JD 338,540,660 and loans bearing floating - interest rates amounted to JD 3,510,000 as at 30 June 2021 against JD 326,286,227 and JD 3,705,000 respectively as at 31 December 2020.

**(14) Subordinated Loans**

| 30 June 2021 - Reviewed not audited | Amount | Frequency of instalments | Collaterals | Interest Rate |
|---|---|---|---|---|
| | JD | | JD | % |
| Subordinated Loan | 28,360,000 | One payment maturing on 15 March 2026 | - | 7.00% |
| **Total** | **28,360,000** | | - | |

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

- The Bank has finished the issuance of a bond of $40 million on 15 March 2020.
- The Bank has exercised the right to purchase the previous issue of bonds of USD 25 million on March 1, 2020.

**(15) Sundry Provisions**

| 30 June 2021 (Reviewed not audited) | Balance at the beginning of the year | Provided during the period/year | Utilized during the period/year | Balance at the end of the period/year |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Provision for lawsuits raised against the bank | 102,700 | 61,700 | - | 164,400 |
| Other provisions* | 3,415,781 | (20,463) | (525,082) | 2,870,236 |
| **Total** | **3,518,481** | **41,237** | **(525,082)** | **3,034,636** |
| **31 December 2020 (Audited)** | | | | |
| 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** |

* The bank has fully hedged against the differences resulting from the currency auctions as requested by the Central Bank of Iraq from the 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. A total amount of JDs 76,973 was collected as of 30 June 2021 compared to JDs 394,358 as of 30 June 2020.

**(16) Income Tax**

**The movement on income tax liability is as follows:**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| **Balance at the beginning of the period/year** | 4,887,737 | 6,850,303 |
| Income tax paid | (5,852,430) | (9,621,681) |
| Income tax charge for the year | 5,181,326 | 7,713,455 |
| Income tax charge for previous years | 273,524 | 175,237 |
| Foreign exchange translation differences | - | (229,577) |
| **Balance at the end of the period/year** | **4,490,157** | **4,887,737** |

**Income tax expense presented in interim condensed consolidated income statement:**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| Current income tax charge for the year | 5,181,326 | 3,581,920 |
| Previous years income tax charges | 305,055 | - |
| Deferred tax assets for the year | (134,710) | 64,617 |
| Deferred tax liabilities for the year | (592,091) | (69,577) |
| | **4,759,580** | **3,576,960** |

- 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 till the end of 2015.

- The bank has submitted its statements for the year 2019 & 2020 and this has not been reviewed by the Income and Sales Tax department until the date of these consolidated condensed 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 2019.

- The self-appreciation statement was submitted to Al-Mal Investment and Financial Brokerage Company for the year 2020 and no final settlement was reached until the date of issuance of these condensed consolidated financial statements.

- A final settlement has been made with the Income Tax Department of the National Bank of Iraq until the end of 2020.

- The management believes that the income tax provision recorded is sufficient to meet the tax obligations as at 30 June 2021.

**(17) Other Liabilities**

This item consists of the following:

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| Accrued interest expense | 14,556,683 | 10,830,244 |
| Accrued expenses | 1,489,911 | 3,453,483 |
| Certified cheques | 13,453,641 | 4,715,290 |
| Cheques payable | 1,813,720 | 1,309,806 |
| Board of directors' remuneration | 35,834 | 65,000 |
| Brokerage payables | 19,357,128 | 19,272,726 |
| Liabilities / derivatives unrealized gain | 2,560,080 | 3,698,004 |
| Guarantees | 574,246 | 659,326 |
| Others | 11,558,566 | 7,201,078 |
| **Total** | **65,399,809** | **51,204,957** |

**(18) Fair value reserve**

The movement for this account is as follows:

| | Financial assets at fair value through other comprehensive income |
|---|---|
| | JD |
| **30 June 2021 (Reviewed not audited)** | |
| Balance at the beginning of the year | 3,619,029 |
| Unrealized gains – financial assets at fair value though OCI | (306,182) |
| Realized (gain) of debt instruments at fair value through other comprehensive income transferred to income | 21,019 |
| Unrealized (loss) from equity instruments | 724,109 |
| Transferred to Retained earnings from the sale of financial assets through other comprehensive income - equity instruments | (524,252) |
| Deferred tax assets | (104,634) |
| Deferred tax liability | 90,007 |
| **Balance at the end of the period** | **3,519,096** |

The movement for this account is as follows:

| | 31 December 2020 |
|---|---|
| **31 December 2020 (Reviewed and audited)** | JD |
| | (Audited) |
| **Balance at the beginning of the year** | 1,636,797 |
| Unrealized losses from debt instruments | 2,876,087 |
| Realized gain(loss) of debt instruments at fair value through other comprehensive income transferred to income | (1,070,702) |
| Unrealized gain from equity instruments | 101,375 |
| Realized gain on sale of equity instruments at fair value through other comprehensive income transferred to retained earnings | 279,515 |
| Deferred tax assets | 114,313 |
| Deferred tax liability | (269,388) |
| Foreign currency translation adjustments | (48,968) |
| **Balance at the end of the Year** | **3,619,029** |

**(19) Retained Earnings**

| | 30 June 2021 |
|---|---|
| | **JD** |
| | **(Reviewed not audited)** |
| Balance at 1 January 2021 | 78,096,479 |
| Gain/loss on sale of financial assets at fair value through OCI | 524,252 |
| Sales of shares of subsidiaries | 414,246 |
| Dividends distributed (note 33) | (24,000,000) |
| **Balance at the end of the period** | **55,034,977** |

| | 31 December 2020 |
|---|---|
| | **JD** |
| | **(Audited)** |
| Balance at 1 January 2020 (as previously stated) | 55,404,849 |
| Loss on sale of financial assets through other comprehensive income - equity instruments | (279,515) |
| Profits for the year | (2,984,934) |
| Profit at end of year | 25,956,079 |
| **Balance at the end of the year** | **78,096,479** |

- The balance of retained earnings includes a restricted amount of JD 21,946,777 as at 30 June 2021 against JD 15,562,847 as at 31 December 2020.

- The balance of retained earnings includes unrealized gain of JD 927,971 as at 30 June 2021 and 31 December 2020 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 according to Securities and Exchange Commission regulations.

- Amount equal to the negative balance of a fair value reserve is considered a restricted reserve that cannot be utilized.

- The general banking risks reserve is a restricted reserve against the implementation of IFRS 9 regarding the Central Bank of Jordan that issued Circular No.10/1/1359 on 25 January 2018. The unutilized balance amounted to 8,840,593 as at 30 June 2021 and 31 December 2020 which is included in the retained earnings. This amount cannot be distributed to shareholders and / or used for other purposes except with the approval of the Central Bank of Jordan.

## (20) Interest Income

This item consists of the following:

| | 30 June 2021 | 30 June 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Reviewed not audited) |
| **Direct Credit Facilities:-** | | |
| **Retail** | | |
| Overdrafts | 787,989 | 499,408 |
| Loans and bills | 10,255,711 | 4,537,446 |
| Credit cards | 772,613 | 535,834 |
| **Real estate mortgages** | 5,755,046 | 4,970,194 |
| **Corporate** | | |
| Overdrafts | 5,915,171 | 4,310,159 |
| Loans and bills | 25,127,531 | 17,801,150 |
| **Small and medium enterprises (SMEs)** | | |
| Overdrafts | 661,307 | 1,390,948 |
| Loans and bills | 5,463,290 | 5,724,600 |
| **Government and public sectors** | 1,967,521 | 1,338,583 |
| Balances at banks and financial institutions | 1,557,761 | 345,897 |
| Loans and advances measured at fair value through statement of income | 2,887,846 | 3,030,975 |
| Pledged financial assets | 490,882 | 3,927,222 |
| Financial assets at amortized cost | 17,749,641 | 11,380,870 |
| Financial assets at fair value through other comprehensive income | 2,481,411 | 1,450,398 |
| **Total** | **81,873,720** | **61,243,684** |

## (21) Interest Expense

The details are as follow:

| | 30 June 2021 | 30 June 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Reviewed not audited) |
| Banks and financial institutions deposits | 1,973,310 | 1,498,333 |
| Customers' deposits : | | |
| Current accounts and deposits | 1,636,974 | 377,792 |
| Saving deposits | 564,672 | 359,518 |
| Time and notice deposits | 24,220,314 | 20,223,062 |
| Certificates of deposits | 1,109,624 | 2,336,595 |
| Interest on leased asset obligations | 262,786 | 81,581 |
| Cash Guarantees | 921,174 | 567,710 |
| Loans and borrowings | 3,861,607 | 4,033,923 |
| Deposits guarantee fees | 1,217,709 | 738,547 |
| **Total** | **35,768,170** | **30,217,061** |

**(22) Other Income**

The details are as follow:

| | 30 June 2021<br>JD<br>(Reviewed not audited) | 30 June 2020<br>JD<br>(Reviewed not audited) |
|---|---|---|
| Recovery from written - off debts | 106,964 | 304,202 |
| Loss on Revaluation of Loans at Fair Value | (310,188) | - |
| Income from Derivatives | 31,030 | 56,153 |
| Others | 2,062,899 | 1,902,581 |
| **Total** | **1,890,705** | **2,262,936** |

**(23) Earnings Per Share**

| **Basic and diluted earnings per share**<br>The details are as follow: | **For the 3 months ended 30 June** | | **For the 6 months ended 30 June** | |
|---|---|---|---|---|
| | **2021**<br>**(Reviewed not audited)** | **2020**<br>**(Reviewed not audited)** | **2021**<br>**(Reviewed not audited)** | **2020**<br>**(Reviewed not audited)** |
| Profit for the period attributable to Bank's shareholders | 12,068,587 | 6,289,267 | 41,409,915 | 11,310,106 |
| Weighted average number of shares during the period | 200,000,000 | 200,000,000 | 200,000,000 | 200,000,000 |
| | **JD / Fils** | **JD / Fils** | **JD / Fils** | **JD / Fils** |
| **Basic and diluted earnings per share from profit attributable to the bank's shareholders** | **0.060** | **0.031** | **0.207** | **0.057** |

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

**(24) Cash and Cash Equivalents**

| The details are as follow: | **For the 6 months ended 30 June** | |
|---|---|---|
| | **2021**<br>**JD**<br>(Reviewed not audited) | **2020**<br>**JD**<br>(Reviewed not audited) |
| Cash and balances with central banks maturing within 3 months | 216,074,695 | 272,498,904 |
| Add: Balances at banks and financial institutions maturing within 3 months | 218,220,343 | 88,238,727 |
| Less: Banks and financial institutions' deposits maturing within 3 months | (257,759,105) | (270,597,408) |
| Less: Restricted cash balances | (6,106,909) | (6,105,911) |
| | **170,429,024** | **84,034,312** |

**(25) Related Parties Transactions**

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

| | **Ownership** | | **Paid in capital** | |
|---|---|---|---|---|
| | **30 June 2021** | **31 December 2020** | **30 June 2021** | **31 December 2020** |
| | **%** | **%** | **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 Investments (DIFC) | 100% | 100% | 177,250 | 177,250 |

- The following related parties transactions took place during the period/year:

| | Related party | | | | Total | |
|---|---|---|---|---|---|---|
| | BOD members | Executive management | Subsidiaries | Major Shareholders | 30 June 2021 | 31 December 2020 |
| | JD | JD | JD | JD | JD (Reviewed not audited) | JD (Audited) |
| **Statement of financial position items:** | | | | | | |
| Bank deposits | 96,747,578 | 1,134,453 | 7,592,568 | 38,891 | 105,513,490 | 117,872,374 |
| Margin accounts | 204,250 | 15,123 | 88,234,200 | - | 88,453,573 | 77,499,583 |
| Direct credit facilities | 22,872,507 | 1,454,398 | 78 | - | 24,326,983 | 28,778,839 |
| Direct credit facilities - watch list | 2,174,071 | - | - | - | 2,174,071 | 1,922,332 |
| **Off-balance sheet items:** | | | | | | |
| Indirect credit facilities | 4,550,300 | 1,000 | 79,187,223 | - | 83,738,523 | 87,267,209 |

| | | | | | For the 6 months ended 30 June | |
|---|---|---|---|---|---|---|
| | | | | | 2021 | 2020 |
| | | | | | (Reviewed not audited) | (Reviewed not audited) |
| **Statement of income items:** | | | | | JD | JD |
| Interest and commission income | 1,298,517 | 39,017 | 3,396,870 | 54,880 | **4,789,284** | **4,456,624** |
| Interest and commission expense | 2,004,307 | 5,756 | 158,090 | 208 | **2,168,361** | **2,734,526** |

- 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% - 7.50%.
- Interest rates on deposits in Jordanian Dinar range between 0.25% - 5.85%.
- Interest rates on deposits in foreign currency between 0.50% - 2.00%.

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

| | For the 6 months ended 30 June | |
|---|---|---|
| | 2021 | 2020 |
| | JD (Reviewed not audited) | JD (Reviewed not audited) |
| Benefits (Salaries, wages, and bonuses) of executive management for the Bank and it's subsidiaries | 2,962,735 | 2,129,667 |
| **Total** | **2,962,735** | **2,129,667** |

- Transactions with related parties are eliminated at condensed consolidated financial statements.

**(26) 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% in accordance to the central bank's instruction no. (67/2016).

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 this year and the previous year

**Description of Regulatory Capital**

Description of regulatory 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, stage 1 expected credit loss and minority interest, and deducts the following; insignificant investments (<10%) and significant investments (>10%) in other banks, financial institution, insurance companies and unconsolidated subsidiaries.

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:

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD<br>(Reviewed not audited) | JD<br>(Audited) |
| **Primary capital-** | | |
| Issued and paid in capital | 200,000,000 | 200,000,000 |
| Statutory reserves | 44,186,425 | 44,186,425 |
| Additional paid in capital | 709,472 | 709,472 |
| Retained earnings | 54,072,418 | 77,133,920 |
| Income for the period | 41,409,915 | - |
| Accumulated changes at fair value | 3,519,096 | 3,619,029 |
| Foreign Currency translation reserve | (16,540,839) | (16,540,837) |
| Non-controlling interest | 40,841,194 | 20,469,481 |
| Proposed dividends | (12,000,000) | (24,000,000) |
| **Less-** | | |
| Intangible assets | 22,468,870 | 21,705,921 |
| Deferred tax assets | 21,946,777 | 15,562,847 |
| Investments in banks and other financial companies capital | 30,079 | 30,079 |
| Treasury stocks | - | 2,707,491 |
| **Total Primary capital** | **311,751,955** | **265,571,152** |
| **Supplementary Capital** | | |
| Exposures included in stage one | 15,284,472 | 3,396,826 |
| Minority rights to be recognized | 2,811,255 | 520,016 |
| Subordinated loans | 22,688,000 | 28,360,000 |
| **Less-** | | |
| **Total Supplementary Capital** | 40,783,727 | 32,276,842 |
| **Net Supplementary Capital Tier 2** | 40,783,727 | 32,276,842 |
| **Total Regulatory Capital** | **352,535,682** | **297,847,994** |
| **Total Risk weighted assets** | **2,251,501,892** | **1,826,310,338** |
| Capital adequacy (%) | **15,66٪** | **16,31٪** |
| Primary Capital (%) | **13,85٪** | **14,54٪** |

**(27) Segment Information**

**Information about the bank's**

**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 30 June 2021 |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD (Reviewed not audited) |
| Total revenue | 20,828,087 | 46,506,507 | 13,545 | 31,763,407 | 29,840,116 | 128,951,662 |
| Credit impairment losses on direct credit facilities | 8,375,879 | (18,346,606) | - | (1,153,834) | (14,721) | (11,139,282) |
| Segment results | 15,120,495 | 8,711,298 | 13,545 | 26,564,030 | 29,562,609 | 79,971,977 |
| Unallocated expenses | | | | | | (32,185,260) |
| Profit before tax | | | | | | 47,786,717 |
| Income tax | | | | | | (4,759,580) |
| Net income for the period | | | | | | 43,027,137 |
| **Other information** | | | | | | |
| Segmental assets | 555,311,090 | 1,350,027,630 | - | 1,445,093,807 | 252,342,467 | 3,602,774,994 |
| Segmental liabilities | 1,305,522,446 | 1,198,452,278 | - | 628,169,765 | 93,590,565 | 3,225,735,054 |
| Capital expenditure | | | | | | 5,436,025 |
| Depreciation and amortization | | | | | | 4,142,362 |

| | Retail Banking | Corporate Banking | Corporate Finance | Treasury | Other | Total 30 June 2020 |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD (Reviewed not audited) |
| Total revenue | 13,470,820 | 37,632,667 | 7,090 | 27,255,597 | 1,756,417 | 80,122,591 |
| Credit impairment losses on direct credit facilities | (2,264,696) | (6,471,012) | - | (13,530) | (332,430) | (9,081,668) |
| Segment results | (855,742) | 14,504,793 | 7,090 | 24,848,054 | 1,423,987 | 39,928,182 |
| Unallocated expenses | | | | | | (22,314,716) |
| Profit before tax | | | | | | 17,613,466 |
| Income tax | | | | | | (3,576,960) |
| Net income for the period | | | | | | 14,036,506 |
| **Other information** | | | | | | 31 December 2020 |
| | | | | | | JD (Audited) |
| Segmental assets | 337,267,423 | 1,078,221,032 | - | 1,124,451,994 | 208,864,868 | 2,748,805,317 |
| Segmental liabilities | 942,340,720 | 883,595,468 | - | 496,410,080 | 70,771,739 | 2,393,118,007 |
| | | | | | | 30 June 2020 |
| | | | | | | JD (Reviewed not audited) |
| Capital expenditure | | | | | | 6,918,327 |
| Depreciation and amortization | | | | | | 2,886,495 |

**(28) Contingent Liabilities and Commitments (Off-set balance sheet)**

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| | (Reviewed not audited) | (Audited) |
| Letters of credit | 58,023,081 | 65,796,460 |
| Confirmed Export Letters of credit | 21,109,239 | 23,157,779 |
| Acceptances | 92,511,650 | 71,392,889 |
| Letters of guarantee:- | | |
| - Payments | 85,707,719 | 40,456,761 |
| - Performance | 111,970,324 | 62,134,208 |
| - Others | 67,828,548 | 43,694,046 |
| Foreign currency forward* | 189,650,075 | 94,673,245 |
| Interest forward* | 93,056,250 | 106,350,000 |
| Unutilized direct credit limits | 246,805,125 | 128,039,834 |
| **Total** | 966,662,010 | 635,695,222 |
| **Less: expected credit loss** | (6,667,054) | (4,360,855) |
| **Net Credit Liabilities and commitments** | **959,994,956** | **631,334,367** |

* Foreign currency and interest forwards are not included in the expected credit loss calculation since it's held with foreign banks of high credit rating.

**The cumulative movement of indirect credit facilities:**

| **30 June 2021 (Reviewed not Audited)** | **First stage** | **Second stage** | **Third stage** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance at 1 January 2021 | 415,763,941 | 13,604,120 | 5,303,916 | 434,671,977 |
| Add: new balances during the period | 308,365,069 | 4,119,673 | 855,820 | 313,340,562 |
| Settled balances | (227,225,476) | (10,033,939) | (2,030,215) | (239,289,630) |
| Transfer (from) to the first stage during the period | 586,822 | (526,822) | (60,000) | - |
| Transfer (from) to the second stage during the period | (3,925,964) | 3,935,964 | (10,000) | - |
| Transfer (from) to the third stage during the period | (224,938) | (790,596) | 1,015,534 | - |
| Adjustments due to change in exchange rates | 165,433,362 | 9,468,454 | 330,960 | 175,232,776 |
| **Net balance as at 30 June 2021** | **658,772,816** | **19,776,854** | **5,406,015** | **683,955,685** |

| **31 December 2020 ( Audited)** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance 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 (from) to the first stage during the year | 461,922 | (411,229) | (50,693) | - |
| Transfer (from) to the second stage during the year | (946,353) | 3,325,960 | (2,379,607) | - |
| Transfer (from) 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) |
| **Balance** | **415,763,941** | **13,604,120** | **5,303,916** | **434,671,977** |

**The cumulative movement of the provision for impairment losses of indirect credit facilities:**

| 30 June 2021 (Reviewed not Audited) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 3,486,815 | 401,227 | 472,812 | 4,360,854 |
| Impairment loss of indirect credit facilities during the period | 2,652,904 | 540,624 | 59,103 | 3,252,631 |
| recovered of Impairment loss for matured exposures | (2,388,049) | (80,912) | (718,977) | (3,187,938) |
| Transfer (from) to the first stage during the period | 15,813 | (15,813) | - | - |
| Transfer (from) to the second stage during the period | (87,072) | 87,072 | - | - |
| Transfer (from) to the third stage during the period | (10,224) | - | 10,224 | - |
| Adjustments due to change in exchange rates | 1,902,033 | 7,806 | 331,668 | 2,241,507 |
| **Balance** | **5,572,220** | **940,004** | **154,830** | **6,667,054** |

| 31 December 2020 (Audited) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 3,082,487 | 503,377 | 20,145 | 3,606,009 |
| impairment loss of indirect credit facilities during the period | 4,119,406 | 273,758 | - | 4,393,164 |
| Recovered of impairment loss for matured exposures | (3,075,709) | (406,906) | (104,052) | (3,586,667) |
| Transfer (from) to the first stage during the year | 10,191 | (9,397) | (794) | - |
| Transfer (from) to the second stage during the year | (40,213) | 40,213 | - | - |
| Transfer (from) 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) |
| **Balance** | **3,486,815** | **401,227** | **472,812** | **4,360,854** |

## (29) Credit risks

### 1- Credit risk measurement

The estimation of credit exposure for risk management purposes 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 Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

### 2- Probability of default (PD):

PD estimates are estimates at a certain date (point in time, PIT), which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. The Bank uses statistical models based on internally compiled data comprising both quantitative and qualitative factors as well as available macroeconomic indicators, while taking into consideration historical and forward looking information to derive the PD for counterparties. If a counterparty or exposure migrates between rating 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.

### 3- Loss given default (LGD):

LGD is the amount of likely loss if there is a default. After taking into account the recovery rate, the time to recover and the cost of recovery from collaterals against the granted loan, and using available historical data, 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% |

### 4- 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 amortization. The EAD of a financial asset is its gross carrying amount. It is not necessarily the outstanding balance, but also takes into consideration any expected future utilization. The treatment of the EAD differs, depending on the type of exposure as explained above and in accordance to the use of the default probability.

### 5- Significant increase in credit risk

To assess whether a significant increase in credit risk has occurred for an exposure, the Bank compares:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

For the above assessment, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience and credit assessment; and including forward-looking information.

**6- Credit Risk Rating**

A Credit Rating system and its generated rating output is considered to be the main component when estimating expected credit loss. It involves analyzing financial, non-financial and economic factors associated with the customer.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

**7- Generating the term structure of PDs**

Credit risk grades are a primary input into the determination of the term structure of PDs for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. Information acquired from external credit reference agencies is also used.

The Bank uses statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP, inflation rates and interest rates. Based on advice from the Bank Market Risk Committee and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information).The Bank then uses these forecasts to adjust its estimates of PDs.

**8-Definition of default**

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:

-The obligor is 90 days or more past due on any credit obligation.

**- <u>Quantitative criteria</u>**

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

**- <u>Qualitative criteria:</u>**

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 amortized 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 recognized.

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 recognized.

**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 recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

**9- 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.
- 30 days or more past due on loan installments.

**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**

- 30 days past due or more on loan installments.
- 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**

- 30 days past due or more on loan installments.
- Customer is classified under watchlist, restructured, rescheduled.
- Customer is classified as (D,E) and rating (F) with 40 - 89 days past dues on loan installments

*** 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 or more past due on loan installments
- 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 or more past due on loan installments
- Customer is classified as (F) with 60 days or more past due on loan installments

*** 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

**10- Incorporation of forward-looking information**

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank Market Risk Committee and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (upside and downside).

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables (i.e.: GDP, inflation rates and interest rates) and credit risk and credit losses.
Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years.

## 11- 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,

• 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 Head of Risk Management and his/her respective personnel in the RMD will be responsible for:

• Coordinate between the different departments and units to manage the implementation of IFRS 9.
• Developing the framework and methodology to be implemented by the Bank and calculate the expected credit loss
• Assist in identifying the Standard's requirement and providing them based on the gap analysis
• Creating the expected credit loss models in compliance with the standard.
• Evaluate the impact of the ECL on the capital adequacy ratio.

**- FINANCE DEPARTMENT (“FD”)**

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
• Review the calculation for each customer
• Updating customer information for IFRS 9 calculations

**(29-1) Concentration in credit exposures based on economic sectors is as follows:**

**a) Total distribution of exposures according to financial instruments subject to impairment losses**

| **30 June 2021 (Reviewed not audited)** | **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 | - | - | - | - | - | - | - | 160,965,736 | - | 160,965,736 |
| Balances at banks and financial institutions | 218,220,343 | - | - | - | - | - | - | - | - | 218,220,343 |
| Credit facilities | 51,021,533 | 202,505,336 | 343,051,240 | 379,931,241 | 60,375,063 | 81,387,785 | 322,650,649 | 87,838,005 | 278,790,225 | 1,807,551,077 |
| Loans and advances at fair value through statement of income | - | 97,787,643 | - | - | - | - | - | - | - | 97,787,643 |
| **Bonds and treasury bills :** | | | | | | | | | | |
| Financial assets at fair value through statement of income | 6,849,284 | 726,292 | - | - | - | - | - | 95,022,264 | 1,733,517 | 104,331,357 |
| Financial assets at Amortized cost | 3,543,570 | - | - | - | - | - | - | 855,436,938 | 4,019,331 | 862,999,839 |
| Other assets | 24,067,806 | 2,605,136 | 1,385,526 | 4,469,774 | 190,381 | 1,237,662 | 2,297,127 | 12,796,731 | 1,982,521 | 51,032,664 |
| **Total Balance sheet** | **303,702,536** | **303,624,407** | **344,436,766** | **384,401,015** | **60,565,444** | **82,625,447** | **324,947,776** | **1,212,059,674** | **286,525,594** | **3,302,888,659** |
| **Off - balance sheet items** | | | | | | | | | | |
| Letter of guarantee | 33,151,199 | 9,794,601 | 54,999,835 | 33,363,385 | 686,486 | 947,537 | 9,378,273 | - | 120,586,756 | 262,908,072 |
| Letter of credit | 42,993,120 | 4,558,062 | 19,063,560 | 601,362 | 11 | - | 2,837,983 | - | 8,095,228 | 78,149,326 |
| Other Liabilities | 66,707,740 | 63,507,320 | 104,116,867 | 8,220,576 | 5,427,010 | 596,408 | 65,610,525 | - | 22,044,787 | 336,231,233 |
| **Total Off-Balance sheet** | **142,852,059** | **77,859,983** | **178,180,262** | **42,185,323** | **6,113,507** | **1,543,945** | **77,826,781** | **-** | **150,726,771** | **677,288,631** |
| **Total** | **446,554,595** | **381,484,390** | **522,617,028** | **426,586,338** | **66,678,951** | **84,169,392** | **402,774,557** | **1,212,059,674** | **437,252,365** | **3,980,177,290** |
| **Total as in 31 December 2020 (audited)** | **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** |

**b) Total distribution of exposures according to financial instruments subject to impairment losses**

| 30 June 2021 (Reviewed not audited) | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Financial | 303,638,581 | 18,319 | 45,636 | 303,702,536 |
| Industrial | 274,172,888 | 26,332,157 | 3,119,362 | 303,624,407 |
| Commercial | 260,712,636 | 58,014,317 | 25,709,813 | 344,436,766 |
| Real estate | 281,643,242 | 82,716,603 | 20,041,170 | 384,401,015 |
| Agriculture | 57,482,902 | 2,906,518 | 176,024 | 60,565,444 |
| Shares | 76,933,893 | 2,922,951 | 2,768,603 | 82,625,447 |
| Retail | 306,423,162 | 15,241,619 | 3,282,995 | 324,947,776 |
| Governmental and Public Sector | 1,212,059,674 | - | - | 1,212,059,674 |
| Other | 227,095,417 | 50,099,104 | 9,331,073 | 286,525,594 |
| **Total** | **3,000,162,395** | **238,251,588** | **64,474,676** | **3,302,888,659** |
| **Total as at 31 December 2020 (audited)** | **2,303,003,950** | **175,122,202** | **29,335,133** | **2,507,461,285** |

**(29-2) Credit Concentration based on geographic distribution is as follows:**

**a) Total distribution of exposures according to geographic region**

| 30 June 2021 (Reviewed not audited) | 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 | 119,568,071 | 41,397,665 | - | - | - | - | - | 160,965,736 |
| Balances at banks and financial institutions | 100,352,653 | 47,051,061 | 39,777,318 | 3,199,795 | - | 27,475,888 | 363,628 | 218,220,343 |
| Direct Credit Facilities at Amortized Cost | 1,531,020,784 | 276,530,293 | - | - | - | - | - | 1,807,551,077 |
| Loans and Advances measured at Fair Value through the income statement | 97,787,643 | - | - | - | - | - | - | 97,787,643 |
| **Bonds and treasury bills within:** | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 62,673,261 | 40,601,414 | 671,964 | 384,718 | - | - | - | 104,331,357 |
| Financial assets at amortized cost | 842,514,809 | 20,485,030 | - | - | - | - | - | 862,999,839 |
| Pledged financial assets - debt instruments | - | - | - | - | - | - | - | - |
| Other assets | 29,234,911 | 21,728,239 | - | 3,188 | 58,436 | - | 7,890 | 51,032,664 |
| **Total** | **2,783,152,132** | **447,793,702** | **40,449,282** | **3,587,701** | **58,436** | **27,475,888** | **371,518** | **3,302,888,659** |
| Letter of guarantee | 136,468,011 | 122,787,085 | 3,648,979 | - | - | 3,997 | - | 262,908,072 |
| Letter of Credit | 26,133,562 | 52,015,764 | - | - | - | - | - | 78,149,326 |
| Other Liabilities | 266,111,723 | 70,119,510 | - | - | - | - | - | 336,231,233 |
| **Total** | **428,713,296** | **244,922,359** | **3,648,979** | **-** | **-** | **3,997** | **-** | **677,288,631** |
| **Net Balance** | **3,211,865,428** | **692,716,061** | **44,098,261** | **3,587,701** | **58,436** | **27,479,885** | **371,518** | **3,980,177,290** |
| **Total as at 31 December 2020 (audited)** | **2,562,232,298** | **505,292,882** | **47,281,428** | **2,970,073** | **299,423** | **20,684,610** | **34,938** | **3,138,795,652** |

**b) Distribution of exposures according to geographic region on stages according to IFRS 9**

| | 30 June 2021 | | | |
|---|---|---|---|---|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| **Inside Jordan** | 2,539,702,017 | 183,369,736 | 60,080,379 | 2,783,152,132 |
| **Other Middle Eastern countries** | 388,517,553 | 54,881,852 | 4,394,297 | 447,793,702 |
| **Europe** | 40,449,282 | - | - | 40,449,282 |
| **Asia** | 3,587,701 | - | - | 3,587,701 |
| **Africa** | 58,436 | - | - | 58,436 |
| **America** | 27,475,888 | - | - | 27,475,888 |
| **Other Countries** | 371,518 | - | - | 371,518 |
| **Total** | **3,000,162,395** | **238,251,588** | **64,474,676** | **3,302,888,659** |
| **Total as at 31 December 2020 (audited)** | **2,303,003,950** | **175,122,202** | **29,335,133** | **2,507,461,285** |

**(29-3) Total credit exposures that have been reclassified**

The disclosures below are prepared in two phases: the first phase is for total credit exposures and the second phase is for the expected credit losses:

**a) Total credit exposures that have been reclassified**

| 30 June 2021 (Reviewed not audited) | 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 and deposits at banks and financial institutions | 18,319 | - | 135 | 135 | 135 | **1%** |
| Direct Credit Facilities at amortized cost | 236,609,483 | 49,756,364 | 96,468,320 | 36,726,847 | 86,483,211 | **26%** |
| Bonds and treasury bills within: | | | | | | |
| Financial assets at amortized cost | - | - | 4,019,332 | 5,168,623 | 5,168,623 | **129%** |
| **Total** | **236,627,802** | **49,756,364** | **100,487,787** | **41,895,605** | **91,651,969** | **27%** |
| Contingent Liabilities and Commitments | 18,836,850 | 3,848,892 | 5,251,185 | 1,005,310 | 4,854,202 | **20%** |
| **Total** | **18,836,850** | **3,848,892** | **5,251,185** | **1,005,310** | **4,854,202** | **20%** |

| 31 December 2020 (Audited) | 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%** |
| Credit Facilities | 168,458,517 | 28,358,574 | 50,550,997 | 2,950,777 | 31,309,351 | **14%** |
| **Bonds and treasury bills within:** | | | | | | |
| Financial assets at fair value through income statement | 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%** |
| Contingent Liabilities and Commitments | 13,202,891 | 3,285,747 | 4,831,104 | 2,149,095 | 5,434,842 | **30%** |
| **Total** | **13,202,891** | **3,285,747** | **4,831,104** | **2,149,095** | **5,434,842** | **30%** |

**b) Expected Credit Loss for the reclassified exposures**

| 30 June 2021 (Reviewed not audited) | Exposures that have been classified | | | Expected Credit Loss for the reclassified exposures | | |
|---|---|---|---|---|---|---|
| | Exposures that were reclassified from stage two | Exposures that were reclassified from stage three | Total reclassified exposures | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD | JD | JD |
| Balances and Deposits at banks and financial institutions | - | 135 | 135 | - | (68,885) | (68,750) |
| Direct Credit Facilities at amortized cost | 49,756,364 | 36,726,847 | 86,483,211 | (1,392,214) | (4,376,470) | 80,714,528 |
| Financial assets at Amortized cost | - | 5,168,623 | 5,168,623 | - | 2,329,959 | 7,498,582 |
| **Total** | **49,756,364** | **41,895,605** | **91,651,969** | **(1,392,214)** | **(2,115,396)** | **88,144,360** |
| Contingent Liabilities and Commitments | 3,848,892 | 1,005,310 | 4,854,202 | (87,072) | (10,224) | 4,756,906 |
| **Total** | **3,848,892** | **1,005,310** | **4,854,202** | **(87,072)** | **(10,224)** | **4,756,906** |

| 31 December 2020 (Audited) | Exposures that have been classified | | | Expected Credit Loss for the reclassified exposures | | |
|---|---|---|---|---|---|---|
| | Exposures that were reclassified from stage two | Exposures that were reclassified from stage three | Total reclassified exposures | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD | JD | JD |
| Balances and Deposits at banks and financial institutions | - | 135 | 135 | - | (68,956) | (68,821) |
| Direct Credit Facilities at amortized cost | 28,358,574 | 2,950,777 | 31,309,351 | (354,921) | (2,698,370) | 28,256,060 |
| Financial assets at fair value through income statement | 5,200,000 | - | 5,200,000 | - | - | 5,200,000 |
| **Total** | **33,558,574** | **2,950,912** | **36,509,486** | **(354,921)** | **(2,767,326)** | **33,387,239** |
| Contingent Liabilities and Commitments | 3,285,747 | 2,149,095 | 5,434,842 | (40,213) | (567,804) | 4,826,825 |
| **Total** | **3,285,747** | **2,149,095** | **5,434,842** | **(40,213)** | **(567,804)** | **4,826,825** |

**(29-4) Expected credit loss**

| 30 June 2021 (Reviewed Not Audited) | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balances at banks and financial institutions | (13) | - | (71) | (84) |
| Direct credit facilities – net | 386,255 | (2,916,068) | 12,500,540 | 9,970,727 |
| Financial instruments at amortized cost | 7,450 | (31,377) | 1,180,668 | 1,156,741 |
| Debt instruments at fair value through other comprehensive income | (2,907) | - | - | (2,907) |
| Financial assets measured at amortized cost | (45,216) | (4,672) | - | (49,888) |
| Contingent Liabilities and Commitments | 183,372 | 530,971 | (649,650) | 64,693 |
| **Total** | **528,941** | **(2,421,146)** | **13,031,487** | **11,139,282** |

| 30 June 2020 (Reviewed Not Audited) | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Cash and balances with Central Banks | 1,074,033 | 2,557,085 | 5,104,590 | 8,735,708 |
| Balances at banks and financial institutions | - | - | 68,967 | 68,967 |
| Deposits at banks and financial institutions | (255) | - | - | (255) |
| Direct credit facilities - net | (48,268) | - | - | (48,268) |
| Debt instruments at fair value through other comprehensive income | (6,914) | - | - | (6,914) |
| Other Financial assets measured at amortized cost | 17,454 | 1,318 | - | 18,772 |
| Contingent Liabilities and Commitments | 40,135 | (93,410) | 366,933 | 313,658 |
| **Total** | **1,076,185** | **2,464,993** | **5,540,490** | **9,081,668** |

## (30) 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:

| 30 June 2021 (Reviewed not audited) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **Financial assets-** | | | | |
| Financial assets at fair value through other comprehensive income | 102,465,027 | 25,684,494 | - | 128,149,521 |
| Pledged Financial Assets | - | 97,787,643 | - | 97,787,643 |
| Derivative instruments (Note 16) | - | - | 505,014 | 505,014 |
| **Financial liabilities-** | | | | |
| Derivative instruments (Note 25) | - | 2,560,080 | - | 2,560,080 |

| 31 December 2020 (Audited) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets-** | | | | |
| Financial assets at fair value through other comprehensive income | 19,516,439 | 11,729,984 | - | 31,246,423 |
| Derivative instruments | - | 108,315,500 | - | 108,315,500 |
| Loans and advances measured at fair value through other comprehensive income | - | - | 34,221 | 34,221 |
| Financial Assets - Pledged | - | 7,317,100 | - | 7,317,100 |

## (31) Lawsuits against the Bank

- The lawsuits raised against the Bank, as part of the ordinary course of business, amounted to JD 25,896,474 as at 30 June 2021 against 25,290,867 as at 31 December 2020. According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases, except for lawsuits noting a provision of JOD 164,400 was taken against them.
- No lawsuits were raised against Capital Investment and Brokerage Company Ltd/Jordan, as part of the ordinary course of business as at 30 June 2021 and 31 December 2020, all lawsuits were settled during 2018.
- The lawsuits raised against the National Bank of Iraq, as part of the ordinary course of business, amounted to JD 1,499,467 as at 30 June 2021 & 31 December 2020. According to the National Bank of Iraq's management and legal counselor, NBI will not be liable in any of these cases.

**(32) Legal Reserve**

The bank has not booked Statutory Reserve during the period since the enclosed statements are interim consolidated financial statements.

**(33) Distributed Dividends**

The Board of Directors approved in its meeting held on 15 April 2021 the distribution of cash dividends equivalent to 12% of the Bank's authorized and paid in capital equivalent to JD 24,000,000.

**(34) Comparative Figures**

Some of previous period's figures have been reclassified to confirm 30 June 2021 presentation.

**(35) Acquisition of Bank Audi Branches in Jordan and Iraq**

During September 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 agreement to purchase and transfer the business, whereby all the necessary requirements and approvals were completed from the regulatory authorities to complete the acquisition as on March 11, 2021.

The table below shows a summary of the net fair division of assets and liabilities acquired at the end of the business day on March 11, 2021:

| | 11 March 2021 |
|---|---|
| **Assets** | **JDs** |
| Cash and balances with banks and central banks | 119,888,013 |
| Financial assets at fair value through other comprehensive income | 2,210,437 |
| Direct credit facilities at amortized cost | 234,376,344 |
| Other financial assets at amortized cost | 155,198,402 |
| Other Assets | 36,794,379 |
| **Total Assets** | **548,467,575** |
| **Liabilities and Equity** | |
| **Liabilities** | |
| Customer Deposits | 387,880,077 |
| Cash margins | 68,115,448 |
| Borrowed funds | 6,991,062 |
| Other liabilities | 15,621,656 |
| **Total Liabilities** | **478,608,243** |
| **Net fair value of the business acquired at the date of acquisition** | **69,859,332** |
| **The purchase price paid for the acquisition** | **41,781,370** |
| **Result from the acquisition** | **28,077,962** |

**Study of the purchase price agreement**

A study of the distribution of the purchase price was carried out by an independent company, and the preliminary study was completed at the end of June 2021, which resulted in the following:

The results shown above are preliminary and will be updated upon completion of the study of the purchase price distribution for the acquisition,  according to the International Accounting Standard No. 3 "Business Combinations", the group has a period of up to 12 months from the date of the acquisition to complete the determination of the fair value and the completion of the study of the distribution of the purchase price.