

Capital Bank of Jordan

Interim Condensed Consolidated Financial Statements

(Reviewed not audited)

30 September 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 September 2021 and the related interim condensed consolidated statement of income and interim condensed consolidated statement comprehensive income for the three and nine months ended 30 September 2021, and the interim condensed consolidated statements of changes in equity and cash flows for the nine 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 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 the 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"


Hani Sababha
License No. (802)

Amman, Jordan
31 October 2021



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

	Note	30 September 2021	31 December 2020
		JD (Reviewed not audited)	JD (Audited)
Assets			
Cash and balances at central banks	4	337,556,872	295,853,517
Balances at banks and financial institutions	5	243,754,301	142,537,265
Financial assets at fair value through other comprehensive income	6	197,217,890	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	1,907,441,536	1,302,958,951
Financial assets at amortized cost	9	925,572,707	563,884,457
Financial assets pledged as collateral	10	-	32,599,621
Property and equipment, net		64,322,520	38,873,085
Intangible assets, net		27,850,773	21,705,921
Deferred tax assets		21,961,923	15,562,847
Other assets	11	144,980,171	128,779,976
Right-of-use leased assets		9,568,974	3,943,039
Total Assets		3,978,015,310	2,748,805,317
Liabilities And Equity			
Liabilities			
Banks and financial institutions' deposits		343,894,190	138,058,853
Customers' deposits	12	2,482,644,082	1,674,212,806
Margin accounts		231,253,042	151,723,382
Loans and borrowings	13	406,540,944	329,991,227
Income tax provision	14	3,573,956	4,887,737
Deferred tax liabilities		2,567,299	2,815,978
Sundry provisions	15	2,776,273	3,518,481
Expected credit losses provision against off-balance sheet items	22	5,692,094	4,360,854
Other liabilities	16	75,251,115	51,204,957
Leased liabilities		10,538,221	3,983,732
Subordinated loan	17	28,360,000	28,360,000
Total Liabilities		3,593,091,216	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		1,917,741	3,619,029
Retained earnings		54,965,504	78,096,479
Current period profits attributed to the bank's shareholders		49,380,233	-
Total net equity attributable to the Bank's shareholders		334,618,538	307,363,077
Non-controlling interest		50,305,556	48,324,233
Total Equity		384,924,094	355,687,310
Total Liabilities and Equity		3,978,015,310	2,748,805,317

The accompanying notes from 1 to 28 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 Nine Months Period Ended 30 September 2021 (Reviewed not audited)

	Note	For the 3 months ended		For the 9 months ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
		JD	JD	JD	JD
Interest income		48,634,459	35,092,181	130,508,179	96,335,865
Less: Interest expense		21,744,058	15,492,238	57,512,228	45,709,299
Net interest income		26,890,401	19,599,943	72,995,951	50,626,566
Commission income		6,898,767	7,399,921	21,716,829	19,784,760
Less: Commission Expense		1,857,456	997,797	3,929,689	1,893,477
Net commission income		5,041,311	6,402,124	17,787,140	17,891,283
Gain from foreign currencies		1,610,642	- 697,493	3,765,752	3,276,021
Dividends income from financial assets at fair value through other comprehensive income	6	176,311	22,965	291,395	213,327
Gain from sale of financial assets at fair value through other comprehensive income - Debt instruments		-	58,266	21,019	125,522
Other income		1,663,813	886,972	3,554,518	3,149,908
Gross profit		35,382,478	26,272,777	98,415,775	75,282,627
Employees' expenses		7,661,034	5,069,367	22,231,335	15,631,198
Depreciation and amortization		2,840,896	1,478,070	6,983,258	4,364,565
Other expenses		7,593,784	4,708,976	17,222,460	13,138,932
Donations to fight Corona Virus Pandemic		-	-	-	1,178,739
(Gains) losses on sale of seized property		39,762	18,888	373,535	17,108
Impairment and expected credit losses on financial assets	23	4,986,937	6,994,951	16,126,219	16,076,619
Impairment on seized assets	-	19,113	698,912	748,354	- 41,613
Sundry provisions		-	-	41,237	-
Total expenses		23,103,300	18,969,164	63,726,398	50,365,548
Result of acquisition	28	-	-	28,077,962	-
Expenses of acquisition	28	-	-	(2,701,444)	-
Income before tax		12,279,178	7,303,613	60,065,895	24,917,079
Less: Income tax expense	14	2,620,171	1,287,857	7,379,751	4,864,817
Income for the period		9,659,007	6,015,756	52,686,144	20,052,262
Attributable to:					
Bank's shareholders		7,970,318	6,032,083	49,380,233	17,342,189
Non - controlling interest		1,688,689	(16,327)	3,305,911	2,710,073
		9,659,007	6,015,756	52,686,144	20,052,262
		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	18	0.040	0.030	0.247	0.087

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 Comprehensive Income

For the Three and Nine Months Period Ended 30 September 2021 (Reviewed not audited)

	For the 3 months ended		For the 9 months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	JD	JD	JD	JD
Income for the period	9,659,007	6,015,756	52,686,144	20,052,262
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	163,647	869,590	434,506	- 2,122,040
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	(1,938,500)	1,013,678	(1,288,019)	126,562
Total other comprehensive income for the period, net of tax	(1,774,853)	1,883,268	(853,513)	(1,995,478)
Total comprehensive income for the period	7,884,154	7,899,024	51,832,631	18,056,784
Attributable to:				
Bank's shareholders	6,299,490	7,268,357	48,133,724	15,925,707
Non-controlling interest	1,584,664	630,667	3,698,907	2,131,077
	7,884,154	7,899,024	51,832,631	18,056,784

The accompanying notes from 1 to 28 are an integrated part of these interim condensed consolidated financial statements and should be read within conjunction and with the accompanying review reports.

Capital Bank of Jordan

Interim Condensed Consolidated Statement of Changes in Owners Equity

For the Nine Months Period Ended 30 September 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
<u>30 September 2021</u>	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	-	-	-	-	-	-	-	49,380,233	49,380,233	3,305,911	52,686,144
Change in fair value of financial assets through other comprehensive income	-	-	-	-	-	(1,246,509)	-	-	(1,246,509)	392,996	(853,513)
Total comprehensive income for the period	-	-	-	-	-	(1,246,509)	-	49,380,233	48,133,724	3,698,907	51,832,631
Realized gain from selling financial assets at fair value through other comprehensive income - equity instruments	-	-	-	-	-	(454,779)	454,779	-	-	-	-
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 September 2021	200,000,000	709,472	44,186,425	-	(16,540,837)	1,917,741	54,965,504	49,380,233	334,618,538	50,305,556	384,924,094
<u>30 September 2020</u>											
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	-	-	-	-	-	-	-	17,342,189	17,342,189	2,710,073	20,052,262
Change in fair value of financial assets through Other Comprehensive Income - Equity Instruments	-	-	-	-	-	(1,416,482)	-	-	(1,416,482)	(578,996)	(1,995,478)
Total comprehensive income for the period	-	-	-	-	-	(1,416,482)	-	17,342,189	15,925,707	2,131,077	18,056,784
Realized gain from selling financial assets at fair value through other comprehensive income - equity instruments	-	-	-	-	-	258,505	(258,505)	-	-	-	-
Balance at 30 September 2020	200,000,000	709,472	41,201,491	-	(5,223,143)	478,820	55,146,344	17,342,189	309,655,173	55,880,657	365,535,830

* Retained earnings include JD 21,961,923 which represents deferred tax assets as at 30 September 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 September 2021 and 31 December 2020 amounts to JD 949,694, 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 September 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.

Capital Bank Of Jordan
Interim Condensed Consolidated Statement of Cash Flows
For the Nine Months Period Ended 30 September 2021 (Reviewed not audited)

	Note	30 September 2021	30 September 2020
<u>Operating Activities</u>		JD	JD
Profit before income tax		60,065,895	24,917,079
<u>Adjustments for Non-Cash Items</u>			
Depreciation and amortization		6,983,258	4,364,565
Impairment and expected credit loss on financial assets		16,126,219	16,076,619
(Recovered by) Impairment on assets seized by the bank		748,354	(41,613)
Result of acquisition		(28,077,962)	-
Sundry provisions		41,237	-
Net accrued interest paid (received)		789,515	(67,187)
Effect of exchange rate changes on cash and cash equivalents		(1,351,394)	13,383,627
Cash flows from operating activities before changes in assets and liabilities		55,325,122	58,633,090
Changes in assets and liabilities -			
Restricted balances		(213,110)	(4,934,119)
Restricted balances at central banks		(1,796,876)	4,048,014
Banks and financial institutions' deposits		-	403,875
Financial assets at fair value through Income statement		-	3,054,812
Direct credit facilities		(369,282,545)	(349,668,623)
Other assets		(2,754,283)	(14,438,654)
Banks and financial institutions' deposits maturing in more than three months		-	(1,000,000)
Customers' deposits		421,721,234	313,312,624
Margin accounts		11,414,212	1,434,233
Other liabilities		4,309,650	7,645,611
Paid sundry provisions		(783,445)	(637,367)
Net cash flow from operating activities before income tax		117,939,959	17,853,496
Income tax paid		(8,892,079)	(9,111,544)
Net cash flow from (used in) operating activities		109,047,880	8,741,952
<u>Investing Activities</u>			
Purchase of financial assets at fair value through other comprehensive income		(108,981,275)	(48,006,610)
Sale of financial assets at fair value through other comprehensive income		1,790,386	4,815,598
Cash as a result of acquisition		78,106,643	-
Purchase of financial assets at amortized cost		(333,045,209)	(147,707,734)
Matured financial assets at amortized cost		152,356,579	10,272,060
Change in financial assets pledged as collateral		-	-
Purchase of property and equipment		(4,731,788)	(6,620,598)
Purchase of intangible assets		(7,878,709)	(2,187,037)
Net cash flow (used in) investing activities		(222,383,373)	(189,434,321)
<u>Financing Activities</u>			
Proceeds from loans and borrowings		161,641,975	255,886,014
Repayment of loans and borrowings		(91,986,877)	(93,039,918)
Repayment of subordinated loan		5,109,406	-
Cash dividends		(27,705,253)	-
Net cash flow used in financing activities		47,059,251	162,846,096
Net decrease in cash and cash equivalents		(66,276,242)	(17,846,273)
Effect of exchange rate changes on cash and cash equivalents		1,351,394	(13,383,627)
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	19	198,107,801	133,499,016

The accompanying notes from 1 to 28 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
Notes to the Interim condensed Consolidated Financial Statements
As at 30 September 2021 (Reviewed not audited)

(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 through capitalizing its distributable reserves, retained earning and private placements.

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 28 October 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 2017 was 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.

- Some items are classified and presented in the Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Income and the Interim Condensed Consolidated Statement of Cash Flows and the related disclosure, , such as credit facilities, interest in suspense, expected credit losses, investments, fair value levels, segments classification and disclosures related to risks and others, are presented and disclosed in accordance with the requirements of the Central Bank of Jordan, its instructions and circulated guidance which might not include all the requirements of IFRS such as IFRS 7, 9 and 13.

- 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 Nine Months ending September 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 September 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 September 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 September 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.

(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.

The Group has no substantial exposure to instruments which are referenced to IBOR. As at 30 September 2021 the Group has a derivative instrument which is referenced to IBOR and yet to transition to alternative reference rate., the carrying value of this derivative liability amounted to JD 2.6 Million and is recognised under other liability.

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	<ul style="list-style-type: none"> • 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. • 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. • 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. • 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 unlikelihood 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 September 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.

It was likely to be difficult to determine the specific effects of covid-19, and the assessment of the significant increase in credit risk (SICR), however the Bank has considered the potential impact based on the best available information of the uncertainties caused by this pandemic and taking into account the economic support and relief measures of Central Bank of Jordan.

Where, the Bank has recognized that the impact was mainly in the business operations (disruptions in the supply chain and in the cash flow) of customers who mainly rely on export and/or import with no diversification in revenue streams, suppliers, customers, and trading area, and have limited experience or weak management and performance in adverse conditions; changes in its operating environment, tightened liquidity, and managing the inventory, as well as have high risk grades and financials weakness. Furthermore, some economic sectors have been directly impacted, mainly for example; Transportations, Tourism & Hotels & restaurants, entertainment, trading.

Accordingly, the retail segment has been affected by losing all or part of their periodic income which the bank considers their source of payment.

The Bank has initiated a program of payment holidays for its customers whose cash flows are affected and 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 Bank believes that the extension of these payment holidays does 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.

By analyzing the impact of this pandemic on Jordan economic and based on reasonableness of Forward-Looking Information, the Bank has revised and updated its methodology of ECL calculation;

Updating the probability weights of the 3 macroeconomic scenarios as following:

Jordan Market:

	Scenario 1 Upside (Probability 0%):			
	2019	2020	2021	2022
Economic Growth GDP	2.00%	-2.50%	2.50%	3.00%
Stock Market General Index		-14%	17%	7%
Key Policy Rate	-150 bps	0 bps	0 bps	25 bps
Inflation	0.80%	1.50%	3.00%	3.50%

	Scenario 2 Base Case (Probability 60%):			
	2019	2020	2021	2022
Economic Growth GDP	2.00%	-3.50%	2.00%	2.20%
Stock Market General Index		-28%	10%	9%
Key Policy Rate	-150 bps	0 bps	0 bps	0 bps
Inflation	0.80%	1.00%	2.00%	2.30%

	Scenario 3 Downside (Probability 40%):			
	2019	2020	2021	2022
Economic Growth GDP	2.00%	-4.50%	-1.00%	2.00%
Stock Market General Index		-43%	0%	13%
Key Policy Rate	-150 bps	0 bps	0 bps	0 bps
Inflation	0.80%	-1.00%	0.00%	2.00%

Upside Scenario:

- Assuming the economy will decelerate at a slower pace and will recover at a stronger pace
- This would only happen should the world economy rebound and demand recovers, leading to higher inflation
- Given higher inflation and the negative impact of higher oil price on foreign reserves, it is unlikely that the CBJ decrease rates, but increasing rates is also highly unlikely in years 2020 and 2021, so we assumed 25 bps increase in 2022

Base Case Scenario:

- Economic Growth: Based on World Bank's estimates
- Stock Market General Index: Assuming ROE*100 to PBV @ 8
- Key Policy Rate: It's unlikely that the Fed increases interest rates over the next 3 years. Under our base case scenario, we assume the CBJ will not widen the spread
- Inflation: Based on World Bank's estimates

Downside Scenario:

- Higher than initially anticipated impact of the virus on the economy or the reemergence of the virus
- Inflation in that case will be more muted
- Interest rates unlikely to change

Iraq Market:

	2019	2020	2021	2022	2023
Real GDP Growth	3.30%	-5.80%	0.70%	3.00%	3.60%
Inflation	-0.20%	0%	2%	3%	3%
Oil Price	64	38.1	44	58.5	65

SOURCE: ECONOMIST INTELLIGENCE UNIT

Updating the probability of Default (PD%):

To estimate the PD after the impact of COVID-19, we have used the PD estimated from first implementation of IFRS 9 and updated it according to the macroeconomic scenarios above by using the change in NPLs determined through a regression to forecast future NPL%. Based on the macroeconomic scenarios the forecasted NPL for the year 2020, 2021 and 2022 is 11.49%, 11.09% and 10.16% respectively. The average change is 23.52% which has been reflected in the base PD.

To obtain point in time PD as required by IFRS 9, the Bank has used historical default data of capital bank for each grade.

The PD is divided into two dimensions, Customer grade and Industry Risk.

The risk assessment of the most impacted industries has been changed as a result of Covid-19 impact on the economy, for example the risk assessment of the (Tourism sector) and (Transportation sector) has been changed from (Medium Risk) to (High Risk) and (Medium to High Risk) respectively

Jordan (Corp & SMEs)**PD after COVID-19 (Jordan)**

Risk /Rating	Low Risk	Low to Medium Risk	Medium Risk	Medium to High Risk	High Risk
1	0.06%	0.08%	0.11%	0.23%	0.36%
2+	0.07%	0.10%	0.14%	0.29%	0.46%
2	0.09%	0.13%	0.18%	0.37%	0.58%
2-	0.11%	0.16%	0.22%	0.47%	0.73%
3+	0.15%	0.20%	0.28%	0.60%	0.93%
3	0.19%	0.25%	0.36%	0.76%	1.17%
3-	0.24%	0.32%	0.45%	0.96%	1.48%
4+	0.30%	0.41%	0.58%	1.22%	1.87%
4	0.38%	0.51%	0.73%	1.53%	2.35%
4-	0.48%	0.65%	0.91%	1.93%	2.97%
5+	0.61%	0.82%	1.16%	2.44%	3.73%
5	0.77%	1.04%	1.47%	3.08%	4.69%
5-	0.97%	1.32%	1.85%	3.87%	5.87%
6+	1.23%	1.67%	2.34%	4.86%	7.33%
6	1.55%	2.10%	2.94%	6.09%	9.13%
6-	1.95%	2.65%	3.70%	7.61%	11.32%
7	2.46%	3.34%	6.99%	9.48%	13.97%
8	3.10%	4.19%	8.75%	11.75%	17.14%
9	3.91%	5.26%	10.94%	14.50%	20.87%
10	7.48%	11.21%	14.31%	27.16%	41.23%

PD after COVID-19 (Iraq)

Low Risk	Low to Medium Risk	Medium Risk	Medium to High Risk	High Risk
0.41%	0.43%	0.46%	0.58%	0.71%
0.60%	0.63%	0.67%	0.82%	0.99%
0.62%	0.66%	0.71%	0.90%	1.11%
0.64%	0.69%	0.75%	1.00%	1.26%
1.03%	1.08%	1.16%	1.48%	1.81%
1.07%	1.13%	1.24%	1.64%	2.05%
1.12%	1.20%	1.33%	1.84%	2.36%
2.06%	2.17%	2.34%	2.98%	3.63%
2.14%	2.27%	2.49%	3.29%	4.11%
2.24%	2.41%	2.67%	3.69%	4.73%
3.24%	3.45%	3.79%	5.07%	6.36%
3.40%	3.67%	4.10%	5.71%	7.32%
3.60%	3.95%	4.48%	6.50%	8.50%
4.74%	5.18%	5.85%	8.37%	10.84%
5.06%	5.61%	6.45%	9.60%	12.64%
5.46%	6.16%	7.21%	11.12%	14.83%
6.85%	7.73%	11.38%	13.87%	18.36%
7.49%	8.58%	13.14%	16.14%	21.53%
9.18%	10.53%	16.21%	19.77%	26.14%
13.62%	17.35%	20.45%	33.30%	47.37%

Retail

Rating	Actual PD	After COVID-19 PD
A	0.04%	0.04%
B	0.14%	0.14%
C	0.61%	0.61%
D	2.70%	3.34%
E	11.15%	13.77%
F	100%	100%

Upgrading LGD%

Based on the updated macroeconomic scenarios above, two components of the LGD has been updated; collateral haircut and time to recover, below are the collaterals which have been changed:

Haircut

Collateral	Actual LGD	New
Real Estate	23%	30%
Cars	50%	52%
Machine	53%	61%
Stocks	16%	25%

Time to recover

Collateral Type	Actual	New
Real Estate	5	7
Cars	1	2
Machine	2	3

Accordingly, the ECL has been increased by (11.49%) to cover the impact of Covid-19

The Bank 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 bank policy is to maintain a minimum liquidity higher than regulatory limit and to reach that limit we have been engaged with many of Financial institution to diversity the source of funds to maintain an acceptable level of variation.

The Bank performed a stress testing scenario given to the rapid changes and guidance issued by CBJ. The impact has been reflected of the bank's financial position, where the Bank has strong financial and liquidity position and its obligations will be met normally.

The below credit risk scenarios (Multi Factors) have been performed and the financial impact and capital impact have been measured:

Scenarios	Stress Level		
	Mid	Medium	Severe
Most Impacted Sectors due to Corona- increase in NPLs	10%	15%	30%
Retail portfolio- increase in NPLs	2%	5%	10%
Equity investments portfolio- decrease prices	10%	20%	40%
Outside Subsidiary Profit- decrease in profit	10%	20%	40%
CAR% Impact	-0.20%	-0.50%	-0.90%
New Provisions (Million)	3.7	6.3	12.5

The below Liquidity risk scenarios have been performed and the impact on LLR and LCR have been measured where these % maintained above 100%:

Scenarios	Stress Level		
	Mid	Medium	Severe
Decrease in High Liquid assets	5%	10%	20%
Withdraw top deposits	1	3	5

(4) Cash and Balances with Central Banks

- Statutory cash reserve amounted to JD 101,678,625 as at 30 September 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 September 2021 and 31 December 2020.
- The statutory reserves held at the Central Bank of Iraq amounting to JD 32,989,510 as at 30 September 2021 against 31,192,718 as at 31 December 2020 which is excluded from cash and cash equivalents for interim condensed consolidated cash flow statement purposes.
- There are no expected credit losses on deposits at central banks as of 30 September 2021 and 31 December 2020 according to IFRS 9.

(5) Balances at banks and financial instit

- Non-interest bearing balances at banks and financial institutions amounted to JD 104,457,209 as at 30 September 2021 against JD 101,715,439 as at 31 December 2020.
- Restricted balances amounted to JD 6,319,672 as at 30 September 2021 against JD 6,106,562 as at 31 December 2020.
- Expected credit losses on balances at banks and financial institutions amounted to JD 68,885 as at 30 September 2021 against JD 68,956 as at 31 December 2020.

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

	30 September 2021	31 December 2020
	JD	JD
<u>Publicly listed assets</u>	(Reviewed not audited)	(Audited)
Governmental Treasury bonds	120,863,438	24,709,428
Bonds, Corporate debt securities	3,983,888	6,753,528
Other government bonds	37,547,447	33,735,685
Quoted shares*	8,626,327	7,658,901
Total Financial assets at market value (listed)	171,021,100	72,857,542
<u>Unlisted assets</u>		
Treasury bonds	4,073,940	4,123,384
Governmental debt securities and its guarantee's	7,119,000	-
Unquoted shares*	15,025,874	12,621,139
Total Unlisted Financial Assets at Market Value	26,218,814	16,744,523
Less: Expected credit loss	(22,024)	(24,931)
Total Financial Assets at Fair Value through Other Comprehensive Income	197,217,890	89,577,134
Analysis of bonds and bills:		
Fixed Rate	173,565,689	69,297,094
Total	173,565,689	69,297,094

* investments in shares were classified as investment held at fair value through other comprehensive income for long strategic purposes.

- The cash dividends amounted to JD 291,395 and it reflects the shares that the bank owns in other companies as at 30 September 2021 against JD 213,327 as at 30 September 2020.
- Realized gains resulted from sales of financial assets at fair value through other comprehensive Income (equity Instruments) amounted to JD 454,779 as at 30 September 2021 against realized losses worth JD 258,505 as at 30 September 2020 these equity instruments were sold as they have fulfilled there strategic and investment propose.
- 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 September 2021 against realized losses worth JD 125,522 as at 30 September 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.

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

	30 September 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 / year	(1,448,111)	3,698,004
Balance at the end of period / year	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 September 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.

-The amount mentioned above represents the maximum exposure to credit risk.

(8) Direct Credit Facilities - Amortized cost

	30 September 2021	31 December 2020
	JD	JD
	(Reviewed not audited)	(Audited)
Retail customers		
Overdrafts	14,519,041	16,277,618
Loans and bills *	413,465,001	167,684,666
Credit cards	14,256,005	7,765,329
Real estate Mortgages	213,851,868	164,756,741
Corporate Lending		
Overdrafts	165,613,904	107,337,408
Loans and bills *	923,508,950	681,153,026
Small and medium enterprises "SMEs" facilities		
Overdrafts	21,792,679	15,829,866
Loans and bills *	210,259,233	172,538,499
Government and public sector lending	97,995,012	60,023,731
Total	2,075,261,693	1,393,366,884
Less: Suspended interest	40,732,407	23,437,800
Less: Expected Credit Loss / Impairment	127,087,750	66,970,133
Net direct credit facilities	1,907,441,536	1,302,958,951

* Net of interest and commissions received in advance amounted to JD 1,388,183 as at 30 September 2021 against JD 2,069,155 as at 31 December 2020.

- Non-performing credit facilities amounted to JD 169,484,955 as at 30 September 2021 against JD 91,985,772 as at 31 December 2020 which represents 8.17 % of total direct credit facilities as at 30 September 2021 against 6.60% as at 31 December 2020.

- Non-performing credit facilities, net of suspended interest, amounted to JD 40,723,408 as at 30 September 2021 against JD 64,409,296 as at 31 December 2020 which represents 6.33 % as at September 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 September 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 September 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*	620,519,845	53,169,323	9,584,523	683,273,691
Settled balances	(263,819,335)	(53,538,565)	(13,347,696)	(330,705,596)
Transfer (from) to the first stage during the period - net	13,049,909	(12,935,566)	(114,343)	-
Transfer (from) to second stage during the period - net	(46,568,833)	47,015,894	(447,061)	-
Transferred (from) to the third stage during the period - net	(2,672,672)	(50,354,502)	53,027,174	-
Additions due to acquisition (note 28)	165,529,109	66,629,024	58,228,855	290,386,988
Changes due to adjustments	19,472,145	18,648,871	818,710	38,939,726
Total balance as at 30 September 2021	1,618,765,549	246,896,633	209,599,511	2,075,261,693

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 September 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	2,224,905	940,474	34,152,951	37,318,330
Recoveries from impairment losses	(2,453,898)	(5,125,645)	(14,767,918)	(22,347,461)
Transfer (from) to the first stage during the period	76,682	(76,682)	-	-
Transfer (from) to second stage during the period	(1,276,181)	1,276,372	(191)	-
Transferred (from) to the third stage during the period	-	(198,859)	198,859	-
Changes due to adjustments	115,507	871,371	-	986,878
Additions due to acquisition (Note 35)	3,352,643	3,686,428	37,120,799	44,159,870
Net balance as at 30 September 2021	7,907,802	11,177,096	108,002,852	127,087,750

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

Based on the CBJ regulation the bank follows the higher of IFRS 9 and 47/2009 (CBJ regulation for provision) by considering each stage separately.

Management also considers the historical carrying value (Gross carrying value and ECL) of the acquired direct credit facilities for credit risk management purpose. The below disclosures includes the Gross carrying value and the ECL of the direct credit facilities with their respective stages as per the requirements of CBJ.

The cumulative movement of direct credit facilities during the period According to IFRS 9 as well as its original rating in the acquired bank

30 September 2021 (Reviewed not audited)	Stage One	Stage Two	Stage Three	Purchased originated credit- impaired (POCI)	Total
	JD	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*	620,519,845	53,169,323	9,584,523	-	683,273,691
Settled balances	(263,819,335)	(53,538,565)	(13,347,696)	-	(330,705,596)
Transfer (from) to the first stage during the period - net	13,049,909	(12,935,566)	(114,343)	-	-
Transfer (from) to second stage during the period - net	(46,568,833)	47,015,894	(447,061)	-	-
Transferred (from) to the third stage during the period - net	(2,672,672)	(50,354,502)	53,027,174	-	-
Additions due to acquisition (note 28)	225,119,062	-	-	21,108,056	246,227,118
Changes due to adjustments	19,472,145	18,648,871	818,710	-	38,939,726
Total balance as at 30 September 2021	1,678,355,502	180,267,609	151,370,656	21,108,056	2,031,101,823

The cumulative movement of the provision for impairment losses of direct credit facilities according Stages during the period According to IFRS 9 as well as its original rating in the acquired bank

30 September 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	2,224,905	940,474	34,152,951	37,318,330
Recoveries from impairment losses	(2,453,898)	(5,125,645)	(14,767,918)	(22,347,461)
Transfer (from) to the first stage during the period	76,682	(76,682)	-	-
Transfer (from) to second stage during the period	(1,276,181)	1,276,372	(191)	-
Transferred (from) to the third stage during the period	-	(198,859)	198,859	-
Changes due to adjustments	115,507	871,371	-	986,878
Net balance as at 30 September 2021	4,555,159	7,490,668	70,882,053	82,927,880

Provision for impairment losses:

The movement of the provision for impairment losses of direct credit facilities during the period as well as its original rating in the acquired bank :-

30 September 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	3,981,330	1,974,114	24,104,139	7,258,747	-	37,318,330
Recoveries from impairment losses	- 2,927,743	- 7,548,891	- 8,251,699	- 3,619,128	-	- 22,347,461
Transfer (from) to the first stage	- 63,538	- 349,126	- 725,658	- 61,177	-	- 1,199,499
Transfer (from) to second stage	79,890	349,126	509,971	61,844	-	1,000,831
Transfer (from) to third stage	- 16,352	-	215,687	- 667	-	198,668
Changes due to adjustments	19,057	1,836	852,322	113,663	-	986,878
Additions due to acquisition (note 28)	11,344,496	10,345,947	20,360,914	2,108,513	-	44,159,870
Net balance	19,259,130	12,158,225	77,627,400	18,042,995	-	127,087,750

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 in accordance with CBJ requirements is as follow:

	Retail	Real estate	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
30 September 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	974,831	1,310,835	5,140,255	1,963,222	9,389,143
Interest transferred to income	(840,547)	(788,525)	(1,774,117)	(964,485)	- 4,367,674
Additions during period of acquisition (Note 28)	1,939,300	1,937,994	7,068,909	1,326,935	12,273,138
Balance at the end of the period	5,360,894	5,682,456	22,090,585	7,598,472	40,732,407
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 (gross):

	Inside Jordan	Outside Jordan	30 September 2021	31 December 2020
	JD	JD	JD	JD
	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Audited)
Financial	62,438,160	-	62,438,160	24,137,414
Industrial	228,492,805	16,443,236	244,936,041	156,683,495
Commercial	305,374,436	112,843,198	418,217,634	318,572,460
Real estate and Construction	418,958,950	67,593,761	486,552,711	322,145,135
Tourism and hotels	65,176,873	-	65,176,873	46,809,774
Agriculture	23,936,477	2,775,263	26,711,740	38,090,438
Shares	83,364,067	-	83,364,067	81,799,133
Services utilities and public	71,458,802	16,231,558	87,690,360	84,043,767
Transportation services (including air transportation)	76,692,478	-	76,692,478	52,831,926
Government and public sector	97,995,012	-	97,995,012	60,023,731
Retail	283,892,288	131,785,693	415,677,981	177,697,588
Other	8,718,974	1,089,662	9,808,636	30,532,023
Total	1,726,499,322	348,762,371	2,075,261,693	1,393,366,884

(9) Financial Assets At Amortized Cost

	30 September 2021	31 December 2020
	JD	JD
	(Reviewed not audited)	(Audited)
Treasury bonds	365,427,091	77,199,293
Governmental debt securities	481,842,909	447,477,050
Governmental debt securities and its guarantee	44,440,672	30,503,143
Bonds, Corporate debt securities	8,890,500	9,245,000
Other government bonds	26,668,305	-
Total Financial assets at amortized	927,269,477	564,424,486
Less: Impairment allowance and expected credit losses	(1,696,770)	(540,029)
Net Financial assets at amortized	925,572,707	563,884,457
Analysis of bonds and bills:		
Fixed Rate	918,364,305	552,321,485
Floating rate	7,208,402	11,562,972
Total	925,572,707	563,884,457

Financial Assets At Amortized Cost

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

30 September 2021 (Reviewed not audited)	Stage One	Stage Two	Stage Three	Purchased originated credit-impaired (POCI)	Total
	JD	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	304,601,825	-	-	-	304,601,825
Settled balances	(121,786,057)	-	-	-	(121,786,057)
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 (note 28)	155,198,402	-	-	-	155,198,402
Total balance	921,569,477	-	5,700,000	-	927,269,477
31 December 2020 (Audited)					
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 September 2021 (Reviewed not audited)	Stage One	Stage Two	Stage Three	Purchased originated credit-impaired (POCI)	Total
	JD	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)					
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

No provision for expected credit losses was calculated on bonds and treasury bills for the Jordanian government as per the regulations of the Central Bank of Jordan related to the implementation of IFRS 9.

(10) Financial Assets Pledged as Collateral

	30 September 2021 (Reviewed not audited)		31 December 2020 (Audited)	
	JD		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 pledged Jordanian government bonds as per the regulations of the Central Bank of Jordan related to the implementation of IFRS 9.

(11) Other Assets

This item consists of the following:

	30 September 2021	31 December 2020
	JD	JD
	(Reviewed not audited)	(Audited)
Accrued Interest Receivable	24,451,636	21,268,858
Prepaid expenses	8,214,219	2,504,395
Collaterals seized by the bank against matured debts* - net	66,505,683	59,040,733
Purchased banks acceptances at amortized cost- net	26,293,252	34,452,639
Assets / derivatives unrealized gain	395,925	610,863
Refundable deposits	6,838,973	3,535,961
Others - net*	12,280,483	7,366,527
Total	144,980,171	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.

(12) Customers' Deposits

This item consists of the following:

	30 September 2021 (Reviewed not audited)	31 December 2020 (Audited)
	JD	JD
Current and demand deposits	726,614,799	516,361,742
Saving accounts	150,830,597	91,432,064
Time and notice deposits	1,585,881,625	984,213,185
Certificates of deposit	19,317,061	82,205,815
Total	2,482,644,082	1,674,212,806

- The deposits of government and general public sector inside Jordan amounted to JD 128,976,400 representing 5.20 % of the total deposits as at 30 September 2021 against JD 148,872,910 representing 8.89% as at 31 December 2020.
- Non-interest bearing deposits amounted to JD 645,132,157 representing 25.99 % of total deposits as at 30 September 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 September 2021 amounted to JD 14,376,638 and JD 13,645,671 as at 31 December 2020.
- Dormant deposits amounted to JD 6,146,445 as at 30 September 2021 against JD 6,390,038 as at 31 December 2020.
- Customer deposits significantly increased during the period ended 30 September 2021, due to the natural growth of the business and due to the combination and acquisition of the Bank Audi SAL in Jordan and Iraq. Please refer to note 28 for further details.

(13) Loans and Borrowings

The details are as follows :

30 September 2021 (Reviewed not audited)	Amount	Number of Installments		Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
	JD	JD	JD		JD	%	
Amounts borrowed from central banks	203,900,269	18,900	15,179	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	142,640,675	54	48	Monthly, semi annual, and upon maturity	-	1.45% - 2.28%	3.75% - 5.80%
Total	406,540,944				-		

31 December 2020 (Audited)	Amount	Number of Installments		Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
	JD	JD	JD		JD	%	
Amounts borrowed from central banks	184,704,862	12,704	12,176	Monthly, 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		

- Loans and borrowings from Central Banks includes JD 203,900,269 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 403,030,944 and loans bearing floating - interest rates amounted to JD 3,510,000 as at 30 September 2021 against JD 326,286,227 and JD 3,705,000 respectively as at 31 December 2020.
- Based on the most recent covenant assesment we are complying with all contingent rules and conditions with our financial institution leaders.

(14) Income Tax

The movement on income tax liability is as follows:

	30 September 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	(8,892,079)	(9,621,681)
Income tax charge for the year	7,216,944	7,713,455
Income tax charge for previous years	361,354	175,237
Foreign exchange translation differences	-	(229,577)
Balance at the end of the period/year	3,573,956	4,887,737

Income tax expense presented in interim condensed consolidated income statement:

	30 September 2021	31 December 2020
	JD	JD
	(Reviewed not audited)	(Audited)
Current income tax charge for the year	7,216,944	5,960,725
Previous years income tax charges	361,354	-
Deferred tax assets for the year	(63,837)	(1,026,334)
Deferred tax liabilities for the year	(134,710)	(69,574)
	7,379,751	4,864,817

- 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 Capital 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 September 2021.

(15) Sundry Provisions

30 September 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	(49,604)	114,796
Other provisions*	3,415,781	(20,463)	(733,841)	2,661,477
Total	3,518,481	41,237	- 783,445	2,776,273
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 provided a provision 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 raising legal cases to collect these amounts. A total amount of JDs 137,156 was collected as of 30 September 2021 compared to JDs 394,358 as of 30 September 2020.

(16) Other Liabilities

This item consists of the following:

	30 September 2021	31 December 2020
	JD (Reviewed not audited)	JD (Audited)
Accrued interest expense	14,802,537	10,830,244
Accrued expenses	2,979,428	3,453,483
Certified cheques	18,075,404	4,715,290
Cheques payable	867,485	1,309,806
Board of directors' remuneration	52,084	65,000
Brokerage payables	20,248,126	19,272,726
Liabilities / derivatives unrealized gain	2,560,080	3,698,004
Guarantees	453,716	659,326
Others	15,212,255	7,201,078
Total	75,251,115	51,204,957

(17) Subordinated Loans

30 September 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		-	

- The Bank has completed the issuance of a bond amounting to \$40 million on 15 March 2020 noting that the subordination under is classified as tier 2 in accordance with Basel rules.

(18) Earnings Per Share**Basic and diluted earnings per share**

The details are as follow:

	For the 3 months ended 30 September		For the 9 months ended 30 September	
	2021	2020	2021	2020
	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)
Profit for the period attributable to Bank's shareholders	7,970,318	6,032,083	49,380,233	17,342,189
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	0.040	0.030	0.247	0.087

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

(19) Cash and Cash Equivalents

The details are as follow:

	For the 9 months ended 30 September	
	2021	2020
	JD	JD
	(Reviewed not audited)	(Reviewed not audited)
Cash and balances with central banks maturing within 3 months	304,567,362	254,790,114
Add: Balances at banks and financial institutions maturing within 3 months	243,754,301	111,537,615
Less: Banks and financial institutions' deposits maturing within 3 months	(343,894,190)	(226,722,379)
Less: Restricted cash balances	(6,319,672)	(6,106,334)
	198,107,801	133,499,016

(20) Related Parties Transactions

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

	Ownership		Paid in capital	
	30 September 2021	31 December 2020	30 September 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 September 2021	31 December 2020
	JD	JD	JD	JD	JD (Reviewed not audited)	JD (Audited)
Statement of financial position items:						
Bank deposits	98,618,198	835,089	11,233,591	22,067	110,708,945	123,236,215
Margin accounts	46,658	15,193	121,158,629	-	121,220,480	70,469,884
Direct credit facilities	19,231,010	1,712,141	1,220	2,000,000	22,944,371	33,912,381
Direct credit facilities - watch list	-	-	-	-	-	4,263,872
Expected credit losses stage 1	379,871	206	31,304	7,310	418,691	295,081
Expected credit losses stage 2	23,966	-	-	-	23,966	500,099
Off-balance sheet items:						
Indirect credit facilities	4,542,818	1,000	90,101,266	-	94,645,084	78,256,133

For the 9 months ended 30 September

					September	
					2021	2020
					(Reviewed not audited)	(Reviewed not audited)
					JD	JD
Statement of income items:						
Interest and commission income	1,622,880	61,495	4,663,448	74,173	6,421,996	4,154,912
Interest and commission expense	2,999,101	9,608	458,339	220	3,467,268	3,360,196

- 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 9 months ended 30 September	
	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	2,455,922	2,865,432
Total	2,455,922	2,865,432

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

(21) 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 September 2021
	JD	JD	JD	JD	JD	JD
						(Reviewed not audited)
Total Revenue from External Customers	34,093,061	70,844,056	13,545	52,248,712	2,658,318	159,857,692
Net of acquisition Impact	-	-	-	-	25,376,518	25,376,518
Impairment and expected credit losses and financial assets	4,500,297	20,458,044	-	1,153,834	985,362	16,126,219
Segment results	16,208,232	19,473,220	13,545	43,318,197	28,652,880	107,666,074
Unallocated expenses						- 47,600,179
Profit before tax						60,065,895
Income tax						- 7,379,751
Net income for the period						52,686,144
Other information						
Segmental assets	613,631,211	1,391,597,968	-	1,704,101,770	268,684,361	3,978,015,310
Segmental liabilities	1,439,346,487	1,274,550,637	-	778,795,134	100,398,958	3,593,091,216
Capital expenditure						12,610,497
Depreciation and amortization						6,983,258
	Retail Banking	Corporate Banking	Corporate Finance	Treasury	Other	Total 30 September 2020
	JD	JD	JD	JD	JD	JD
						(Reviewed not audited)
Total Revenue from External Customers	20,199,615	37,632,667	50,651	42,785,075	2,438,158	103,106,166
Impairment and expected credit losses and financial assets	(3,478,128)	(12,670,462)	-	(33,346)	105,317	(16,076,619)
Segment results	(1,138,355)	20,077,848	50,651	37,672,388	2,543,476	59,206,008
Unallocated expenses						(34,288,929)
Profit before tax						24,917,079
Income tax						(4,864,817)
Net income for the period						20,052,262
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 September 2020
						JD
						(Reviewed not audited)
Capital expenditure						8,807,635
Depreciation and amortization						4,364,565

* The value of revenues within the Business - Other segment includes profits from subsidiaries amounting to 628,839 Jordanian dinars as of September 30, 2021.

- management measures the performance of the segments using profit before income tax.

(22) Contingent Liabilities and Commitments (Off-set balance sheet)

	30 September 2021	31 December 2020
	JD	JD
	(Reviewed not audited)	(Audited)
Letters of credit	67,328,112	65,796,460
Confirmed Export Letters of credit	16,791,408	23,157,779
Acceptances	98,647,809	71,392,889
Letters of guarantee:-		
- Payments	70,053,276	40,456,761
- Performance	107,068,203	62,134,208
- Others	71,109,935	43,694,046
Foreign currency forward *	269,451,402	94,673,245
Interest forward *	93,056,250	106,350,000
Unutilized direct credit limits	208,607,548	128,039,834
Total	1,002,113,943	635,695,222
Less: expected credit loss stage 1	(4,488,305)	(3,486,815)
Less: expected credit loss stage 2	(1,187,605)	(401,227)
Less: expected credit loss stage 3	(16,183)	(472,812)
Net Credit Liabilities and commitments	996,421,849	631,334,368

* 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 balance of contingent liabilities and commitments increased significantly during the period, including about JDs 290 million of the increase is due to business merger and acquisition of Bank Audi in Jordan and Iraq.

The cumulative movement of the provision for impairment losses of indirect credit facilities According to IFRS 9 as well as its original rating in the acquired bank :

30 September 2021 (Reviewed not audited)	30 September 2021	31 December 2020
	JD	JD
	(Reviewed not audited)	(Audited)
Balance at 1 January 2021	4,360,854	3,606,009
Net movement on Impairment credit losses	(896,789)	806,497
Additions due to acquisition (Note 35)	2,241,507	-
Adjustments due to change in exchange rates	(13,478)	(51,652)
Net balance as at 30 September 2021	5,692,094	4,360,854

(23) Expected credit loss

30 September 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	(1,312,985)	(2,312,969)	19,583,701	15,957,747
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	(83,811)	(4,671)	-	(88,482)
Contingent Liabilities and Commitments	(886,856)	778,359	(788,299)	(896,796)
Total	(2,279,122)	(1,570,658)	19,975,999	16,126,219

30 September 2020 (Reviewed Not Audited)	Stage one	Stage two	Stage three	Total
	JD	JD	JD	JD
Deposits at banks and financial institutions	(255)	-	68,965	68,710
Direct credit facilities - net	2,591,160	4,842,995	8,714,435	16,148,590
Other Financial assets measured at amortized cost	(47,741)	16,641	-	(31,100)
Debt instruments at fair value through other comprehensive income	(4,264)	-	-	(4,264)
Other financial assets at amortized cost	14,059	274	-	14,333
Contingent Liabilities and Commitments	(402,178)	(106,391)	388,919	(119,650)
Total	2,150,781	4,753,519	9,172,319	16,076,619

(24) 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 September 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	170,999,076	26,218,814	-	197,217,890
Pledged Financial Assets	-	97,787,643	-	97,787,643
Derivative instruments (Note 16)	-	395,925	-	395,925
Financial liabilities-				
Derivative instruments (Note 25)	-	2,560,080	-	2,560,080
31 December 2020 (Audited)				
Financial assets-				
Financial assets at fair value through other comprehensive income	80,356,006	16,108,132	-	96,464,138
Derivative instruments	-	108,831,500	-	108,831,500
Loans and advances measured at fair value through other comprehensive income	-	956,879	-	956,879
Financial Assets - Pledged	-	7,308,700	-	7,308,700

(25) Lawsuits against the Bank

- The lawsuits raised against the Bank, as part of the ordinary course of business, amounted to JD 26,052,147 as at 30 September 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 114,796 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 September 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 2,116,904 as at 30 September 2021 and JD 1,500,885 as at 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.

(26) Legal Reserve

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

(27) 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.

(28) 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
<u>Assets</u>	<u>JDs</u>
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
<u>Liabilities and Equity</u>	
<u>Liabilities</u>	
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

- Cash and Cash equivalent from the acquired subsidiary is amounting to 6,397,815 as at March 11, 2021 .

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, 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.

- Management has went ahead with this acquisition due to the significant step in the group's expansion strategy and its ambitious plans to further reinforce its competitive position also this step comes within the growth that the group has witnessed in its budget over the past several years, and according to this acquisition deal, Capital Bank branches in Jordan will grow to 28 and those of the National Bank of Iraq to 18.

- Furthermore, the fact that Bank Audi's desire to exit the Jordanian and Iraqi market is in line with the group's strategy to expand and enhance its competitive position, which positively affected the completion of the deal.

- For each class of acquired receivables, the gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows

	Gross contractual amounts receivable	The contractual cash flows not expected to be collected
	JDs	JDs
Cash and balances with banks and central banks	119,888,026	-
Financial assets at fair value through other comprehensive income	2,210,437	-
Direct credit facilities at amortized cost	278,536,214	597,810
Other financial assets at amortized cost	155,198,402	-
Other Assets	36,794,379	-
Total Assets	592,627,458	597,810

- The fair value of acquired net direct credit facilities at amortized cost is 234,376,344 and the gross contractual amount for direct credit facilities at amortized cost is 278,536,214 , with a loss allowance of 44,159,870 recognised on acquisition.

- Acquisition related transaction costs of JOD 2,701,444 were expensed disclosed separately on the Interim Condensed Consolidated statement of income and the include the following:

Professional fees	1,274,581
Governmental Fees	69,128
other fees	1,357,735
Total	2,701,444

- The acquired bank contributed revenue of 9.2 million Jordanian dinars for the period from the date of acquisition until September 30, 2021. If the acquisition took place on January 1, 2021, the group's revenue for the period ending on September 30, 2021 will have an impact of 12.3 million Jordanian dinars.

Purchase considraction - Cash outflow

Outflow of cash to acquire, net of cash acquired	41,781,370
Cash Considraction	41,781,370
less - balance acquired	119,888,013
Cash and balances with banks and central banks	119,888,013
Net Outflow of cash - investing activities	(78,106,643)