

**ARAB BANK GROUP**

**AMMAN - JORDAN**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(REVIEWED NOT AUDITED)**

**30 JUNE 2021**



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

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Bank Group as of 30 June 2021, comprising of the interim condensed consolidated statement of financial position as of 30 June 2021 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion**

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

Amman – Jordan  
29 July 2021

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

|   | Notes | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|---|-------|---|----------------------------------|
|   |       | USD '000                                  | USD '000                         |
| <b>ASSETS</b>   |       |   |                                  |
| Cash and balances with central banks                              | 5     | 11 849 439                                | 10 807 627                       |
| Balances with banks and financial institutions                    | 6     | 3 819 030                                 | 4 601 165                        |
| Deposits with banks and financial institutions                    | 7     | 187 562                                   | 288 165                          |
| Financial assets at fair value through profit or loss             | 8     | 216 910                                   | 304 054                          |
| Financial derivatives - positive fair value                       |       | 106 540                                   | 91 510                           |
| Direct credit facilities at amortized cost                        | 10    | 30 757 944                                | 23 907 858                       |
| Financial assets at fair value through other comprehensive income | 9     | 626 396                                   | 409 715                          |
| Other financial assets at amortized cost                          | 11    | 10 304 630                                | 8 762 789                        |
| Investments in associates   |       | 3 350 794                                 | 3 804 212                        |
| Fixed assets  | 12    | 566 670                                   | 458 518                          |
| Other assets  | 13    | 996 753                                   | 763 137                          |
| Deferred tax assets   |       | 243 790                                   | 214 933                          |
| <b>Total Assets</b>   |       | <b>63 026 458</b>                         | <b>54 413 683</b>                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                       |       |   |                                  |
| Banks and financial institutions' deposits                        |       | 4 255 353                                 | 3 974 226                        |
| Customers' deposits   | 14    | 43 412 265                                | 36 235 138                       |
| Cash margin   |       | 2 613 314                                 | 2 483 253                        |
| Financial derivatives - negative fair value                       |       | 75 673                                    | 170 956                          |
| Borrowed funds  | 15    | 638 043                                   | 609 791                          |
| Provision for income tax  | 16    | 198 254                                   | 275 406                          |
| Other provisions  |       | 227 640                                   | 230 069                          |
| Other liabilities   | 17    | 1 288 293                                 | 1 040 409                        |
| Deferred tax liabilities  |       | 6 530                                     | 5 672                            |
| <b>Total Liabilities</b>  |       | <b>52 715 365</b>                         | <b>45 024 920</b>                |
| <b>Equity</b>   |       |   |                                  |
| Share capital   | 18    | 926 615                                   | 926 615                          |
| Share premium   |       | 1 225 747                                 | 1 225 747                        |
| Statutory reserve   | 18    | 926 615                                   | 926 615                          |
| Voluntary reserve   |       | 977 315                                   | 977 315                          |
| General reserve   |       | 1 141 824                                 | 1 141 824                        |
| General banking risks reserve                                     |       | 224 274                                   | 224 274                          |
| Reserves with associates  |       | 1 540 896                                 | 1 540 896                        |
| Foreign currency translation reserve                              |       | ( 206 262)                                | ( 160 209)                       |
| Investments revaluation reserve                                   |       | ( 294 199)                                | ( 295 797)                       |
| Retained earnings   | 20    | 2 830 641                                 | 2 775 635                        |
| <b>Total Equity Attributable to the Shareholders of the Bank</b>  |       | <b>9 293 466</b>                          | <b>9 282 915</b>                 |
| Perpetual tier 1 capital bonds                                    | 19    | 438 449                                   | -                                |
| Non-controlling interests   |       | 579 178                                   | 105 848                          |
| <b>Total Shareholders' Equity</b>                                 |       | <b>10 311 093</b>                         | <b>9 388 763</b>                 |
| <b>Total Liabilities and Shareholders' Equity</b>                 |       | <b>63 026 458</b>                         | <b>54 413 683</b>                |

The accompanying notes from (1) to (36) form an integral part of these interim condensed consolidated financial statements and should be read with them.

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

|  | Notes | For The Six-Months Period<br>Ended 30 June, |                | For The Three-Months<br>Period Ended 30 June, |                |
|--|-------|---|----------------|---|----------------|
|  |       | 2021  | 2020           | 2021  | 2020           |
|  |       | USD '000                                    | USD '000       | USD '000                                      | USD '000       |
| <b>REVENUE</b>   |       |   |                |   |                |
| Interest income  | 21    | 1 144 592                                   | 1 083 048      | 578 056                                       | 499 576        |
| Less: interest expense   | 22    | 470 181                                     | 459 627        | 236 114                                       | 210 400        |
| <b>Net Interest Income</b>   |       | <b>674 411</b>                              | <b>623 421</b> | <b>341 942</b>                                | <b>289 176</b> |
| Net commission income  | 23    | 167 223                                     | 134 271        | 84 405  | 63 637         |
| <b>Net Interest and Commission Income</b>  |       | <b>841 634</b>                              | <b>757 692</b> | <b>426 347</b>                                | <b>352 813</b> |
| Foreign exchange differences   |       | 59 624                                      | 51 435         | 28 217  | 21 201         |
| Gain from financial assets at fair value through profit or loss                  | 24    | 2 936                                       | 2 216          | 1 612   | 1 223          |
| Dividends from financial assets at fair value through other comprehensive income | 9     | 5 178                                       | 4 464          | 2 498   | 973            |
| Group's share of profits of associates   |       | 131 751                                     | 151 603        | 56 080  | 44 531         |
| Other revenue / Net  | 25    | 45 097                                      | 22 593         | 29 487  | 9 625          |
| <b>Total Income</b>  |       | <b>1 086 220</b>                            | <b>990 003</b> | <b>544 241</b>                                | <b>430 366</b> |
| <b>EXPENSES</b>  |       |   |                |   |                |
| Employees' expenses  |       | 283 398                                     | 253 881        | 144 396                                       | 124 579        |
| Other expenses   |       | 175 501                                     | 144 873        | 87 799  | 73 428         |
| Depreciation and amortization  |       | 39 311                                      | 29 368         | 20 248  | 14 639         |
| Provision for impairment - ECL   |       | 275 027                                     | 308 316        | 154 924                                       | 167 823        |
| Impairment of investments held for sale  |       | 20 000                                      | -              | 20 000  | -              |
| Other provisions   |       | 8 198                                       | 12 466         | 5 750   | 5 285          |
| <b>Total Expenses</b>  |       | <b>801 435</b>                              | <b>748 904</b> | <b>433 117</b>                                | <b>385 754</b> |
| <b>Profit for the Period before Income Tax</b>                                   |       | <b>284 785</b>                              | <b>241 099</b> | <b>111 124</b>                                | <b>44 612</b>  |
| Less: Income tax expense   | 16    | 102 380                                     | 88 996         | 57 003  | 40 102         |
| <b>Profit for the Period</b>   |       | <b>182 405</b>                              | <b>152 103</b> | <b>54 121</b>                                 | <b>4 510</b>   |
| Attributable to :  |       |   |                |   |                |
| - Bank's shareholders  |       | 166 874                                     | 149 102        | 43 892  | 4 148          |
| - Non-controlling interests  |       | 15 531                                      | 3 001          | 10 229  | 362            |
| <b>Total</b>   |       | <b>182 405</b>                              | <b>152 103</b> | <b>54 121</b>                                 | <b>4 510</b>   |
| Earnings per share attributable to the Bank's shareholders                       |       |   |                |   |                |
| - Basic and Diluted (US Dollars)   | 32    | 0.26  | 0.23           | 0.07  | 0.01           |

The accompanying notes from (1) to (36) form an integral part of these interim condensed consolidated financial statements and should be read with them.

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

|  | <u>For The Six-Months Period</u> |                  | <u>For The Three-Months Period</u> |                 |
|--|----------------------------------|------------------|------------------------------------|-----------------|
|  | <u>Ended 30 June,</u>            |                  | <u>Ended 30 June,</u>              |                 |
|  | <u>2021</u>                      | <u>2020</u>      | <u>2021</u>                        | <u>2020</u>     |
|  | <u>USD '000</u>                  | <u>USD '000</u>  | <u>USD '000</u>                    | <u>USD '000</u> |
| <b>Profit for the period</b>   | <b>182 405</b>                   | <b>152 103</b>   | <b>54 121</b>                      | <b>4 510</b>    |
| <u>Add: Other comprehensive income items - after tax</u>   |                                  |                  |                                    |                 |
| <b><u>Items that will be subsequently transferred to the statement of Income</u></b>                 |                                  |                  |                                    |                 |
| Exchange differences arising from the translation of foreign operations                              | ( 46 313)                        | 4 640            | 29 334                             | 26 530          |
| <b><u>Items that will not be subsequently transferred to the statement of Income</u></b>             |                                  |                  |                                    |                 |
| <b>Net change in fair value of financial assets at fair value through other comprehensive income</b> | <b>( 221)</b>                    | <b>( 28 655)</b> | <b>21 123</b>                      | <b>38 369</b>   |
| Revaluation gain (loss) on equity instruments at fair value through other comprehensive income       | 3 610                            | ( 28 871)        | 21 857                             | 37 175          |
| (Loss) gain from sale of financial assets at fair value through other comprehensive income           | ( 3 831)                         | 216              | ( 734)                             | 1 194           |
| <b>Total Other Comprehensive Income Items - after Tax</b>  | <b>( 46 534)</b>                 | <b>( 24 015)</b> | <b>50 457</b>                      | <b>64 899</b>   |
| <b>Total Comprehensive Income for the Period</b>   | <b>135 871</b>                   | <b>128 088</b>   | <b>104 578</b>                     | <b>69 409</b>   |
| Attributable to :  |                                  |                  |                                    |                 |
| - Bank's shareholders  | 120 542                          | 117 729          | 90 237                             | 65 594          |
| - Non-controlling interests  | 15 329                           | 10 359           | 14 341                             | 3 815           |
| <b>Total</b>   | <b>135 871</b>                   | <b>128 088</b>   | <b>104 578</b>                     | <b>69 409</b>   |

The accompanying notes from (1) to (36) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**(REVIEWED NOT AUDITED)**

| Notes   | Share Capital  | Share Premium    | Statutory Reserve | Voluntary Reserve | General Reserve  | General Banking Risks Reserve | Reserves with Associates | Foreign Currency Translation Reserve | Investments revaluation reserve | Retained Earnings | Total Equity Attributable to the Shareholders of the Bank | Non-Controlling Interests | Perpetual Bonds (Tier 1 Capital) | Total Shareholders' Equity |
|---|----------------|------------------|-------------------|-------------------|------------------|-------------------------------|--------------------------|--------------------------------------|---------------------------------|-------------------|---|---------------------------|----------------------------------|----------------------------|
|   | USD '000       | USD '000         | USD '000          | USD '000          | USD '000         | USD '000                      | USD '000                 | USD '000                             | USD '000                        | USD '000          | USD '000  | USD '000                  | USD '000                         | USD '000                   |
| <b>For The Six-Months Period Ended 30 June, 2021</b>                          |                |                  |                   |                   |                  |                               |                          |                                      |                                 |                   |   |                           |                                  |                            |
| <b>Balance at the beginning of the Period</b>                                 | <b>926 615</b> | <b>1 225 747</b> | <b>926 615</b>    | <b>977 315</b>    | <b>1 141 824</b> | <b>224 274</b>                | <b>1 540 896</b>         | <b>(160 209)</b>                     | <b>(295 797)</b>                | <b>2 775 635</b>  | <b>9 282 915</b>  | <b>105 848</b>            | <b>-</b>                         | <b>9 388 763</b>           |
| Profit for the period   | -              | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | 166 874           | 166 874   | 15 531                    | -                                | 182 405                    |
| Other comprehensive income for the period                                     | -              | -                | -                 | -                 | -                | -                             | -                        | (46 053)                             | (279)                           | -                 | (46 332)  | (202)                     | -                                | (46 534)                   |
| <b>Total Comprehensive Income for the Period</b>                              | <b>-</b>       | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>                      | <b>-</b>                 | <b>(46 053)</b>                      | <b>(279)</b>                    | <b>166 874</b>    | <b>120 542</b>  | <b>15 329</b>             | <b>-</b>                         | <b>135 871</b>             |
| Transferred from investments revaluation reserve to retained earnings         | 20             | -                | -                 | -                 | -                | -                             | -                        | -                                    | 1 877                           | (1 877)           | -   | -                         | -                                | -                          |
| Dividends   | 20             | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | (111 944)         | (111 944)   | (2 115)                   | -                                | (114 059)                  |
| Acquisition of Oman Arab Bank (note 4)  |                | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | -                 | -   | 466 820                   | 438 449                          | 905 269                    |
| Adjustments during the period   | 20             | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | 1 953             | 1 953   | (6 704)                   | -                                | (4 751)                    |
| <b>Balance at the End of the Period</b>                                       | <b>926 615</b> | <b>1 225 747</b> | <b>926 615</b>    | <b>977 315</b>    | <b>1 141 824</b> | <b>224 274</b>                | <b>1 540 896</b>         | <b>(206 262)</b>                     | <b>(294 199)</b>                | <b>2 830 641</b>  | <b>9 293 466</b>  | <b>579 178</b>            | <b>438 449</b>                   | <b>10 311 093</b>          |
| <b>For The Six-Months Period Ended 30 June, 2020</b>                          |                |                  |                   |                   |                  |                               |                          |                                      |                                 |                   |   |                           |                                  |                            |
| <b>Balance at the beginning of the period</b>                                 | <b>926 615</b> | <b>1 225 747</b> | <b>926 615</b>    | <b>977 315</b>    | <b>1 141 824</b> | <b>238 952</b>                | <b>1 540 896</b>         | <b>(252 925)</b>                     | <b>(298 403)</b>                | <b>2 584 537</b>  | <b>9 011 173</b>  | <b>91 278</b>             | <b>-</b>                         | <b>9 102 451</b>           |
| Profit for the period   | -              | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | 149 102           | 149 102   | 3 001                     | -                                | 152 103                    |
| Other comprehensive income for the period                                     | -              | -                | -                 | -                 | -                | -                             | -                        | (3 178)                              | (28 195)                        | -                 | (31 373)  | 7 358                     | -                                | (24 015)                   |
| <b>Total Comprehensive Income for the Period</b>                              | <b>-</b>       | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>                      | <b>-</b>                 | <b>(3 178)</b>                       | <b>(28 195)</b>                 | <b>149 102</b>    | <b>117 729</b>  | <b>10 359</b>             | <b>-</b>                         | <b>128 088</b>             |
| Transferred from investments revaluation reserve to retained earnings         |                | -                | -                 | -                 | -                | -                             | -                        | -                                    | 74                              | (74)              | -   | -                         | -                                | -                          |
| Transferred from investments revaluation reserve to non-controlling interests |                | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | -                 | -   | (290)                     | -                                | (290)                      |
| Dividends   |                | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | -                 | -   | (1 763)                   | -                                | (1 763)                    |
| Transferred from general banking risk reserve                                 |                | -                | -                 | -                 | -                | (16 696)                      | -                        | -                                    | -                               | 16 696            | -   | -                         | -                                | -                          |
| Adjustments during the period   |                | -                | -                 | -                 | -                | -                             | -                        | -                                    | -                               | (3 255)           | (3 255)   | -                         | -                                | (3 255)                    |
| <b>Balance at the End of the Period</b>                                       | <b>926 615</b> | <b>1 225 747</b> | <b>926 615</b>    | <b>977 315</b>    | <b>1 141 824</b> | <b>222 256</b>                | <b>1 540 896</b>         | <b>(256 103)</b>                     | <b>(326 524)</b>                | <b>2 747 006</b>  | <b>9 125 647</b>  | <b>99 584</b>             | <b>-</b>                         | <b>9 225 231</b>           |

\* The retained earnings include restricted deferred tax assets in the amount of USD 243.8 million, as well as, restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances as a result of the adoption of certain Accounting Standards amounted to USD 2.8 million as of 30 June, 2021.

\* The Bank cannot use a restricted amount of USD (294.2) million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of 30 June, 2021.

The accompanying notes from (1) to (36) form an integral part of these interim condensed consolidated financial statements and should be read with them.

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

|   | Notes | For The Six-Months Period<br>Ended 30 June, |                   |
|---|-------|---|-------------------|
|   |       | 2021<br>USD '000                            | 2020<br>USD '000  |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |       |   |                   |
| <b>Profit for the period before tax</b>   |       | <b>284 785</b>                              | <b>241 099</b>    |
| Adjustments for:  |       |   |                   |
| Group's share of profits of associates  |       | ( 131 751)                                  | ( 151 603)        |
| Depreciation and amortization   |       | 39 311                                      | 29 368            |
| Expected credit losses on financial assets  |       | 275 027                                     | 308 316           |
| Net accrued interest  |       | ( 76 216)                                   | ( 70 782)         |
| (Gain) from sale of fixed assets  |       | ( 7 093)                                    | ( 355)            |
| Dividends on financial assets at fair value through other comprehensive income            |       | ( 5 178)                                    | ( 4 464)          |
| (Gain) loss from revaluation of financial assets at fair value through profit or loss     | 24    | ( 2 405)                                    | 531               |
| Provision for impairment of investments held for sale                                     |       | 20 000                                      | -                 |
| Other provisions  |       | 8 198                                       | 12 466            |
| <b>Total</b>  |       | <b>404 678</b>                              | <b>364 576</b>    |
| <b><u>(Increase) decrease in assets:</u></b>  |       |   |                   |
| Balances with central banks (maturing after 3 months)                                     |       | ( 4 530)                                    | 21 645            |
| Deposits with banks and financial institutions (maturing after 3 months)                  |       | 186 825                                     | 8 718             |
| Direct credit facilities at amortized cost  |       | ( 206 771)                                  | ( 527 602)        |
| Financial assets at fair value through profit or loss                                     |       | 90 596                                      | 176 057           |
| Other assets and financial derivatives  |       | 102 536                                     | ( 36 051)         |
| <b><u>Increase (decrease) in liabilities:</u></b>   |       |   |                   |
| Banks' and financial institutions' deposits (maturing after 3 months)                     |       | ( 2 375)                                    | 650 584           |
| Customer's deposits   |       | 20 478                                      | 351 147           |
| Cash margin   |       | 130 061                                     | ( 730 141)        |
| Other liabilities and financial derivatives   |       | ( 197 021)                                  | ( 14 399)         |
| <b>Net Cash Flows from Operating Activities before Income Tax</b>                         |       | <b>524 477</b>                              | <b>264 534</b>    |
| Income tax paid   | 16    | ( 213 398)                                  | ( 222 660)        |
| <b>Net Cash Flows from Operating Activities</b>   |       | <b>311 079</b>                              | <b>41 874</b>     |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |       |   |                   |
| (Purchase) of financial assets at fair value through other comprehensive income           |       | ( 205 763)                                  | ( 17 976)         |
| (Purchase) of other financial assets at amortized cost                                    |       | ( 924 977)                                  | ( 102 757)        |
| (Increase) of investments in associates   |       | ( 876)                                      | ( 138 998)        |
| Acquisition of Oman Arab Bank (note 4)  | 4     | 689 119                                     | -                 |
| Dividends received from associates  |       | 115 168                                     | 64 355            |
| Dividends received from financial assets at fair value through other comprehensive income |       | 5 178                                       | 4 464             |
| (Increase) in fixed assets - net  |       | ( 28 715)                                   | ( 19 491)         |
| <b>Net Cash Flows from (Used in) Investing Activities</b>                                 |       | <b>( 350 866)</b>                           | <b>( 210 403)</b> |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>  |       |   |                   |
| (Decrease) increase in borrowed funds   |       | ( 23 696)                                   | 396 088           |
| Increase in Perpetual Bonds   |       | 250 000                                     | -                 |
| Dividends paid to shareholders  |       | ( 111 944)                                  | ( 659)            |
| Dividends paid to non-controlling interests   |       | ( 2 115)                                    | ( 1 763)          |
| <b>Net Cash Flows from (used in) Financing Activities</b>                                 |       | <b>112 245</b>                              | <b>393 666</b>    |
| Net increase in cash and cash equivalents   |       | 72 458                                      | 225 137           |
| Exchange differences - change in foreign exchange rates                                   |       | ( 46 053)                                   | ( 3 178)          |
| Cash and cash equivalents at the beginning of the Year                                    |       | 12 412 068                                  | 8 815 119         |
| <b>Cash and Cash Equivalents at the End of the Period</b>                                 | 33    | <b>12 438 473</b>                           | <b>9 037 078</b>  |
| <b>Operational Cash Flows form Interest</b>   |       |   |                   |
| Interest Paid   |       | 407 785                                     | 495 414           |
| Interest Received   |       | 1 005 980                                   | 1 048 053         |

The accompanying notes from (1) to (36) form an integral part of these interim condensed consolidated financial statements and should be read with them.

**ARAB BANK GROUP**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021 (REVIEWED BUT NOT AUDITED)**

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**1) GENERAL INFORMATION**

Arab Bank was established in 1930 and was registered as a Jordanian Public Shareholding Limited Company. The Head Office of the Group is domiciled in Amman - Hashemite Kingdom of Jordan and the Group operates worldwide through its 80 branches in Jordan and 131 branches abroad. Also, the Group operates through its subsidiaries and Arab Bank (Switzerland) limited.

Arab Bank PLC shares are traded on Amman Stock Exchange. The shareholders of Arab Bank PLC are the same shareholders of Arab Bank Switzerland (every 18 shares of Arab Bank PLC equal/ traded for 1 share of Arab Bank Switzerland).

The accompanying interim condensed consolidated financial statements was approved by the Board of Directors in its meeting Number (5) on 29 July 2021.

**(2) BASIS OF PREPARATION AND CONSOLIDATION**

**(2-1) BASIS OF PREPARATION**

The accompanying interim condensed consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements are prepared in accordance with the historical cost principle, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial derivatives which are stated at fair value as of the date of the interim condensed consolidated financial statements.

The accompanying interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards and must be read with the consolidated financial statements of the Group as of 31 December 2020. In addition, the results of the Group's operations for the six months ended 30 June 2021 do not necessarily represent indications of the expected results for the year ending 31 December 2021, and do not contain the appropriation of the profit of the current period, which is usually performed at year end.



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**(2-2) BASIS OF CONSOLIDATION**

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

| Company Name                          | Percentage of ownership% |                  | Date of acquisition | Principal Activity               | Place of Incorporation | Paid in capital |
|---------------------------------------|--------------------------|------------------|---------------------|----------------------------------|------------------------|-----------------|
|                                       | 30 June 2021             | 31 December 2020 |                     |                                  |                        |                 |
| Europe Arab Bank plc                  | 100.00                   | 100.00           | 2006                | Banking                          | United Kingdom         | € 570m          |
| Arab Bank Australia Limited           | 100.00                   | 100.00           | 1994                | Banking                          | Australia              | AUD 119.3m      |
| Islamic International Arab Bank plc   | 100.00                   | 100.00           | 1997                | Banking                          | Jordan                 | JD 100m         |
| Arab National Leasing Company LLC     | 100.00                   | 100.00           | 1996                | Financial Leasing                | Jordan                 | JD 50m          |
| Al-Arabi Investment Group LLC         | 100.00                   | 100.00           | 1996                | Brokerage and Financial Services | Jordan                 | JD 14m          |
| Arab Sudanese Bank Limited            | 100.00                   | 100.00           | 2008                | Banking                          | Sudan                  | SDG 117.5m      |
| Al Arabi Investment Group / Palestine | 100.00                   | 100.00           | 2009                | Brokerage and Financial Services | Palestine              | JD 1.7m         |
| Arab Tunisian Bank                    | 64.24                    | 64.24            | 1982                | Banking                          | Tunisia                | TND 100m        |
| Oman Arab Bank*                       | 49.00                    | -                | 1984                | Banking                          | Oman                   | OAR 203m        |
| Arab Bank Syria                       | 51.29                    | 51.29            | 2005                | Banking                          | Syria                  | SYP 5.05b       |
| Al Nisr Al Arabi Insurance Company    | 50.00                    | 50.00            | 2006                | Insurance                        | Jordan                 | JD 10m          |

\* During 2021, the Group has obtained control over Oman Arab Bank. Accordingly, the investment has been reclassified from investment in an associate to investment in a subsidiary (note 4).

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

**(2-3) CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new standards effective as of 1 January 2021 shown below:

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

**(3) USE OF ESTIMATE**

**Provisions for impairment - ECL**

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

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

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

In accordance with IFRS 9, a significant increase in credit risk can be assessed at the group / portfolio level if the common risk characteristics are shared. Any instruments that are collectively assessed must have common credit risk characteristics. The Group has followed the following criteria for determining the ECL calculation on a collective versus individual basis as follows:

- Retail Portfolio: on collective basis based on the product level (Loans, Housing Loans, Car Loans, and Credit Cards)
- Corporate Portfolio: Individual basis at customer/ facility level
- Financial Institutions: Individual basis at bank/ facility level.
- Debt instruments measured at amortized cost: Individual basis at instrument level.
- **Assessment of Significant Increase in Credit Risk (SICR)**

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

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

1. We have established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9, is mentioned in the "Definition of default" below.

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

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

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

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

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

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside, downside 1 and downside 2 scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

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As a result of the recent developments resulting from the Covid-19 pandemic, the management used an additional stressed scenario (downside 2) to calculate the expected credit loss provision as on 30 June 2021 and 2020. Accordingly, the Group updated the economic factors used in the calculation of the ECL provision as of 30 June 2021 and 2020. In addition to changing the weighted averages assigned to the four scenarios by giving a higher weight to the downside scenarios as follows:

| Assigned weighted average | Scenario |
|---------------------------|----------|
| Baseline scenario         | 35%      |
| Upside scenario           | 15%      |
| Downside scenario 1       | 20%      |
| Downside scenario 2       | 30%      |

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

The mechanism of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Despite, the classification of credit facilities is governed by the regulations of the Central Bank of Jordan unless the local regulations in other countries are more stringent, or the Group must adopt the same according to the law.

• **Definition of default**

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

Notwithstanding the above, the classification of credit facilities is governed by the Central Bank of Jordan regulations unless local regulations in other countries are stricter, or the Group has to adopt the same by law.

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

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

• **Expected life**

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

**Governance of applying the requirements of IFRS 9:**

To ensure compliance with the requirements of implementing the standard and to ensure the progress of the implementation, a special committee was established consisting of the manager of risk management, the manager of credit management, the financial manager of the Group in addition to the manager of the information systems department and the manager of project management.

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Where the committee takes the necessary decisions regarding implementation methodology, ensuring that the general policies, work procedures and regulations are updated in line with the requirements of the standard, and it also presents the results of calculating the expected credit losses based on the standard to the senior management and to the board of directors through the committees emanating from it.

**4. Business Combinations**

**2021 - Oman Arab Bank "OAB"**

Arab Bank Group owns 49% of OAB and the investment was accounted for as an associate in prior years. Currently, Arab Bank has the power and the ability to appoint majority of OAB Board of Directors (five out of nine) as a result of the amendments on OAB's Article of Association. Accordingly, the Group has obtained control over OAB and was classified as a subsidiary.

**The fair values of the identifiable assets and liabilities of OAB as at the date of control were:**

| <b>Assets</b>                              | <b>USD '000</b>  |
|--|------------------|
| Cash and deposits with banks               | 763 005          |
| Direct credit facilities at amortized cost | 6 845 338        |
| Financial assets at fair value through OCI | 122 192          |
| Other financial assets at amortized cost   | 501 751          |
| Fixed assets                               | 121 052          |
| Other assets                               | 299 296          |
| Deferred tax assets                        | 6 387            |
| <b>Total assets</b>                        | <b>8 659 021</b> |

| <b>Liabilities</b>                        | <b>USD '000</b>  |
|---|------------------|
| Banks and financial institutions deposits | 89 405           |
| Customers' deposits                       | 7 156 649        |
| Provision for income tax                  | 11 706           |
| Other liabilities                         | 381 251          |
| <b>Total liabilities</b>                  | <b>7 639 011</b> |

|   | <b>USD '000</b> |
|---|-----------------|
| Net assets at fair value                              | 1 020 010       |
| <u>Less: Non-controlling interests*</u>               | 520 205         |
| Carrying amount of Assets acquired                    | 456 940         |
| Goodwill arising from the acquisition (Provisional)** | 42 865          |

\* Fair value of non-controlling interests is 520 205 thousands. Non-controlling interests share of the carrying amount of OAB is USD 466 817 thousands.

\*\* The valuation of the assets and liabilities acquired had not been completed by the date the interim financial statements were approved for issue by the Board of Directors. Thus, the acquired assets may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 1 January 2022 (one year after the transaction).

The investment in OAB of 49% held by the Group directly before achieving control was re-measured at its control date fair value.

**Analysis of cash flows resulted from the control:**

|   | <b><u>USD '000</u></b> |
|---|------------------------|
| Net cash acquired with Oman Arab Bank<br>(included in cash flows from investing activities) | 689,119                |
| Cash paid   | -                      |
| <b>Net cash flows on acquisition</b>  | <b><u>689,119</u></b>  |

## 5 - CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as follows:

|                              | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|------------------------------|---|----------------------------------|
|                              | USD '000                                  | USD '000                         |
| Cash in vaults               | 841 723                                   | 673 453                          |
| Balances with central banks: |   |                                  |
| Current accounts             | 4 940 246                                 | 4 614 615                        |
| Time and notice              | 4 628 253                                 | 3 749 222                        |
| Mandatory cash reserve       | 1 584 513                                 | 1 613 267                        |
| Certificates of deposit      | -   | 299 421                          |
| Less: Net ECL Charges        | ( 145 296)                                | ( 142 351)                       |
| <b>Total</b>                 | <b>11 849 439</b>                         | <b>10 807 627</b>                |

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.

- Balances and certificates of deposits maturing after three months amounted to USD 29.5 million as of 30 June, 2021 (USD 25 million as of 31 December, 2020).

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

|   | 30 June 2021<br>(Reviewed not Audited) |                |          | 31 December 2020<br>(Audited) |                |
|---|--|----------------|----------|-------------------------------|----------------|
|   | USD '000                               | USD '000       | USD '000 | USD '000                      | USD '000       |
|   | Stage 1                                | Stage 2        | Stage 3  | Total                         | Total          |
| Balance at the beginning of the period \ year             | 2 797                                  | 139 554        | -        | 142 351                       | 8 808          |
| Net ECL Charges for the period/ year                      | ( 44)                                  | 3 515          | -        | 3 471                         | 133 592        |
| Adjustments during the period and translation adjustments | ( 526)                                 | -              | -        | ( 526)                        | ( 49)          |
| <b>Balance at the end of the period \ year</b>            | <b>2 227</b>                           | <b>143 069</b> | <b>-</b> | <b>145 296</b>                | <b>142 351</b> |

## 6 - BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

|  | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|--|---|----------------------------------|
|  | USD '000                                  | USD '000                         |
| <b>Local banks and financial institutions</b>                                |   |                                  |
| Current Accounts   | 2 589                                     | 4 241                            |
| Time deposits maturing within 3 months                                       | 130 596                                   | 197 091                          |
| <b>Total</b>   | <b>133 185</b>                            | <b>201 332</b>                   |
| <b>Banks and financial institutions abroad</b>                               |   |                                  |
| Current accounts   | 1 313 135                                 | 1 918 206                        |
| Time deposits maturing within 3 months                                       | 2 375 470                                 | 2 484 520                        |
| Certificates of deposit maturing within 3 months                             | -   | -                                |
| <b>Total</b>   | <b>3 688 605</b>                          | <b>4 402 726</b>                 |
| Less: Net ECL Charges  | ( 2 760)                                  | ( 2 893)                         |
| <b>Total balances with banks and financial institutions local and abroad</b> | <b>3 819 030</b>                          | <b>4 601 165</b>                 |

- There are no non-interest bearing balances as of 30 June, 2021 and 31 December, 2020.

- There are no restricted balances as of 30 June, 2021 and 31 December, 2020.

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

|   | 30 June 2021<br>(Reviewed not Audited) |          |          | 31 December 2020<br>(Audited) |              |
|---|--|----------|----------|-------------------------------|--------------|
|   | USD '000                               | USD '000 | USD '000 | USD '000                      | USD '000     |
|   | Stage 1                                | Stage 2  | Stage 3  | Total                         | Total        |
| <b>Balance at the beginning of the period \ year</b>          | 2 893                                  | -        | -        | <b>2 893</b>                  | <b>2 338</b> |
| Oman Arab Bank - Note (4)                                     | 252                                    | -        | -        | 252                           | -            |
| <b>Adjusted Balance at the beginning of the period \ year</b> | <b>3 145</b>                           | -        | -        | <b>3 145</b>                  | <b>2 338</b> |
| Net ECL Charges for the period \ year                         | ( 309)                                 | -        | -        | ( 309)                        | 429          |
| Adjustments during the period and translation adjustments     | ( 76)                                  | -        | -        | ( 76)                         | 126          |
| <b>Balance at the end of the period \ year</b>                | <b>2 760</b>                           | -        | -        | <b>2 760</b>                  | <b>2 893</b> |

#### **7 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS**

The details of this item are as follows:

##### **Deposits with Local Banks and Financial Institutions:**

|   | 30 June 2021<br>(Reviewed not Audited) | 31 December 2020<br>(Audited) |
|---|--|-------------------------------|
|   | USD '000                               | USD '000                      |
| Time deposits maturing after 6 months and before 9 months | -                                      | 20 552                        |
| Time deposits maturing after 9 months and before a year   | 21 072                                 | 33 280                        |
| Time deposits maturing after one year                     | 68 760                                 | 21 150                        |
| <b>Total</b>  | <b>89 832</b>                          | <b>74 982</b>                 |

##### **Deposits with Banks and Financial Institutions Abroad:**

|   | 30 June 2021<br>(Reviewed not Audited) | 31 December 2020<br>(Audited) |
|---|--|-------------------------------|
|   | USD '000                               | USD '000                      |
| Time deposits maturing after 3 months and before 6 months | 92 031                                 | 110 419                       |
| Time deposits maturing after 6 months and before 9 months | 5 299                                  | 100 354                       |
| Time deposits maturing after 9 months and before a year   | 2 714                                  | 5 153                         |
| <b>Total</b>  | <b>100 044</b>                         | <b>215 926</b>                |

##### **Less: Net ECL Charges**

|  |          |          |
|--|----------|----------|
|  | ( 2 314) | ( 2 743) |
|--|----------|----------|

##### **Total deposits with banks and financial institutions Local and Abroad**

|  |                |                |
|--|----------------|----------------|
|  | <b>187 562</b> | <b>288 165</b> |
|--|----------------|----------------|

- There are no restricted deposits as of 30 June, 2021 and 31 December, 2020.

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

|   | 30 June 2021<br>(Reviewed not Audited) |          |          | 31 December 2020<br>(Audited) |              |
|---|--|----------|----------|-------------------------------|--------------|
|   | USD '000                               | USD '000 | USD '000 | USD '000                      | USD '000     |
|   | Stage 1                                | Stage 2  | Stage 3  | Total                         | Total        |
| <b>Balance at the beginning of the period \ year</b>      | <b>2 743</b>                           | -        | -        | <b>2 743</b>                  | <b>1 678</b> |
| Net ECL Charges for the period/ year                      | ( 332)                                 | -        | -        | ( 332)                        | 1 021        |
| Adjustments during the period and translation adjustments | (97 )                                  | -        | -        | (97 )                         | 44           |
| <b>Balance at the end of the period \ year</b>            | <b>2 314</b>                           | -        | -        | <b>2 314</b>                  | <b>2 743</b> |

## 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

|                                       | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December</b><br><b>2020</b><br><b>(Audited)</b> |
|---------------------------------------|--|---|
|                                       | <b>USD '000</b>  | <b>USD '000</b>                                       |
| Treasury bills and Governmental bonds | 108 138  | 79 694  |
| Corporate bonds                       | 84 630   | 204 136   |
| Corporate shares                      | 5 230  | 2 532   |
| Mutual funds                          | 18 912   | 17 692  |
| <b>Total</b>                          | <b>216 910</b>   | <b>304 054</b>  |

## 9 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The details of this item are as follows:

|   | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December</b><br><b>2020</b><br><b>(Audited)</b> |
|---|--|---|
|   | <b>USD '000</b>  | <b>USD '000</b>                                       |
| Quoted shares   | 147 588  | 122 363   |
| Unquoted shares   | 241 990  | 287 352   |
| Governmental bonds and bonds guaranteed by the government | 201 187  | -   |
| Corporate bonds through OCI                               | 36 961   | -   |
| Less: Net ECL Charges                                     | ( 1 330)   | -   |
| <b>Total</b>  | <b>626 396</b>   | <b>409 715</b>  |

- Cash dividends from the investments above amounted to USD 5.2 million for the six-months period ended 30 June, 2021 (USD 4.5 millions for the six-months period ended 30 June, 2020).

The movement of ECL charges on Financial Assets at OCI is as follows:

|   | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> |                 |                 |                 |
|---|--|-----------------|-----------------|-----------------|
|   | <b>USD '000</b>                                      | <b>USD '000</b> | <b>USD '000</b> | <b>USD '000</b> |
|   | <b>Stage 1</b>                                       | <b>Stage 2</b>  | <b>Stage 3</b>  | <b>Total</b>    |
| <b>Balance at the beginning of the period \ year</b>          | -  | -               | -               | -               |
| Acquisition of Oman Arab Bank - Note (4)                      | 26   | -               | 1 039           | 1 065           |
| <b>Adjusted Balance at the beginning of the period \ year</b> | <b>26</b>  | <b>-</b>        | <b>1 039</b>    | <b>1 065</b>    |
| Net ECL Charges for the period \ year                         | 265  | -               | -               | 265             |
| Adjustments during the period and translation adjustments     | -  | -               | -               | -               |
| <b>Balance at the end of the period \ year</b>                | <b>291</b>   | <b>-</b>        | <b>1 039</b>    | <b>1 330</b>    |



**10 - DIRECT CREDIT FACILITIES AT AMORTIZED COST**

The details of this item are as follows:

|   | <b>30 June 2021</b>           |                  |                   |  |                                    |                   |
|---|-------------------------------|------------------|-------------------|--|------------------------------------|-------------------|
|   | <b>(Reviewed not Audited)</b> |                  |                   |  |                                    |                   |
|   | Consumer<br>Banking           | Corporates       |                   | Banks and<br>Financial<br>Institutions | Government<br>and Public<br>Sector | Total             |
|   | Small and<br>Medium           | Large            |                   |  |                                    |                   |
|   | <b>USD '000</b>               | <b>USD '000</b>  | <b>USD '000</b>   | <b>USD '000</b>                        | <b>USD '000</b>                    | <b>USD '000</b>   |
| Discounted bills *                                    | 62 082                        | 104 182          | 671 981           | 193 847                                | 43 157                             | 1 075 249         |
| Overdrafts *  | 85 257                        | 1 109 503        | 3 832 951         | 4 450                                  | 472 764                            | 5 504 925         |
| Loans and advances *                                  | 4 820 968                     | 2 341 037        | 13 129 876        | 45 120                                 | 1 861 338                          | 22 198 339        |
| Real-estate loans                                     | 3 899 396                     | 450 818          | 503 882           | -                                      | -                                  | 4 854 096         |
| Credit cards  | 215 866                       | -                | -                 | -                                      | -                                  | 215 866           |
| <b>Total</b>  | <b>9 083 569</b>              | <b>4 005 540</b> | <b>18 138 690</b> | <b>243 417</b>                         | <b>2 377 259</b>                   | <b>33 848 475</b> |
| <u>Less:</u> Interest and commission in suspense      | 102 154                       | 134 220          | 479 964           | 246                                    | -                                  | 716 584           |
| Provision for impairment - ECL                        | 298 186                       | 357 434          | 1 699 765         | 5 025                                  | 13 537                             | 2 373 947         |
| <b>Total</b>  | <b>400 340</b>                | <b>491 654</b>   | <b>2 179 729</b>  | <b>5 271</b>                           | <b>13 537</b>                      | <b>3 090 531</b>  |
| <b>Net Direct Credit Facilities At Amortized Cost</b> | <b>8 683 229</b>              | <b>3 513 886</b> | <b>15 958 961</b> | <b>238 146</b>                         | <b>2 363 722</b>                   | <b>30 757 944</b> |

\* Net of interest and commission received in advance which amounted to USD 117.3 million as of 30 June, 2021.

- Rescheduled loans during the six-months period ended 30 June, 2021 amounted to USD 420.4 million .

- Restructured loans (transferred from non performing to watch list loans) during the six-months period ended 30 June, 2021 amounted to USD 2 million.

- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to USD 77.5 million, or 20% of total direct credit facilities as of 30 June, 2021.

- Non-performing direct credit facilities amounted to USD 2787.9 million, or 820% of total direct credit facilities as of 30 June, 2021.

- Non-performing direct credit facilities ( net of interest and commission in suspense ) amounted to USD 2104.1 million, or 630% of direct credit facilities ( after deducting interest and commission in suspense ) as of 30 June, 2021.

**31 December 2020**

**(Audited)**

|   | Consumer<br>Banking | Corporates          |                   | Banks and<br>Financial<br>Institutions | Government<br>and Public<br>Sector | Total             |
|---|---------------------|---------------------|-------------------|--|------------------------------------|-------------------|
|   |                     | Small and<br>Medium | Large             |  |                                    |                   |
|   | <b>USD '000</b>     | <b>USD '000</b>     | <b>USD '000</b>   | <b>USD '000</b>                        | <b>USD '000</b>                    | <b>USD '000</b>   |
| Discounted bills *                                    | 68 294              | 91 600              | 549 247           | 157 770                                | 13 764                             | 880 675           |
| Overdrafts *  | 92 404              | 1 136 980           | 3 359 056         | 5 662                                  | 442 991                            | 5 037 093         |
| Loans and advances *                                  | 3 533 021           | 1 967 850           | 11 255 638        | 32 626                                 | 906 931                            | 17 696 066        |
| Real-estate loans                                     | 2 336 319           | 145 412             | 210 500           | -                                      | -                                  | 2 692 231         |
| Credit cards  | 185 802             | -                   | -                 | -                                      | -                                  | 185 802           |
| <b>Total</b>  | <b>6 215 840</b>    | <b>3 341 842</b>    | <b>15 374 441</b> | <b>196 058</b>                         | <b>1 363 686</b>                   | <b>26 491 867</b> |
| <u>Less:</u> Interest and commission in suspense      | 92 524              | 115 426             | 411 265           | 53                                     | -                                  | 619 268           |
| Provision for impairment - ECL                        | 260 547             | 300 441             | 1 390 880         | 5 230                                  | 7 643                              | 1 964 741         |
| <b>Total</b>  | <b>353 071</b>      | <b>415 867</b>      | <b>1 802 145</b>  | <b>5 283</b>                           | <b>7 643</b>                       | <b>2 584 009</b>  |
| <b>Net Direct Credit Facilities at Amortized Cost</b> | <b>5 862 769</b>    | <b>2 925 975</b>    | <b>13 572 296</b> | <b>190 775</b>                         | <b>1 356 043</b>                   | <b>23 907 858</b> |

\* Net of interest and commission received in advance, which amounted to USD 123.5 million as of 31 December 2020.

- Rescheduled loans during the year ended 31 December 2020 amounted to USD 491.7 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2020 amounted to USD 8 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2020 amounted to USD 77.9 million, or 0.3% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2020 amounted to USD 2358.4 million, or 8.9% of total direct credit facilities.
- Non-performing direct credit facilities ( net of interest and commission in suspense ) as of 31 December 2020 amounted to USD 1763.3 million or 6.8% of direct credit facilities (after deducting interest and commission in suspense).

The details of movement on the provision for impairment of the ECL as of 30 June, 2021 are as follows:

|  | <b>30 June 2021</b>           |                 |                  |                  |
|--|-------------------------------|-----------------|------------------|------------------|
|  | <b>(Reviewed not Audited)</b> |                 |                  |                  |
|  | <b>USD '000</b>               | <b>USD '000</b> | <b>USD '000</b>  | <b>USD '000</b>  |
|  | <b>Stage 1</b>                | <b>Stage 2</b>  | <b>Stage 3</b>   | <b>Total</b>     |
| <b>Balance at the beginning of the year</b>  | <b>120 651</b>                | <b>440 147</b>  | <b>1 403 943</b> | <b>1 964 741</b> |
| Acquisition of Oman Arab Bank - Note (4)   | 25 560                        | 76 754          | 137 314          | 239 628          |
| <b>Adjusted Balance at the beginning of the year</b>   | <b>146 211</b>                | <b>516 901</b>  | <b>1 541 257</b> | <b>2 204 369</b> |
| Transferred to Stage 1   | 6 152                         | ( 6 101)        | ( 51)            | -                |
| Transferred to Stage 2   | ( 8 878)                      | 12 090          | ( 3 212)         | -                |
| Transferred to Stage 3   | ( 171)                        | ( 34 660)       | 34 831           | -                |
| Net ECL Charges for the period   | ( 22 292)                     | 69 001          | 155 314          | <b>202 023</b>   |
| Used from provision (written off or transferred to off interim condensed consolidated statement of financial position) | -                             | -               | ( 22 753)        | <b>( 22 753)</b> |
| Adjustments during the period and translation adjustments  | 3 238                         | ( 4 775)        | ( 8 155)         | <b>( 9 692)</b>  |
| <b>Balance at the end of the period</b>  | <b>124 260</b>                | <b>552 456</b>  | <b>1 697 231</b> | <b>2 373 947</b> |

The details of movement on the provision for impairment of the ECL as of December 31, 2020 are as follows:

|  | <b>31 December 2020</b> |                 |                  |                  |
|--|-------------------------|-----------------|------------------|------------------|
|  | <b>(Audited)</b>        |                 |                  |                  |
|  | <b>USD '000</b>         | <b>USD '000</b> | <b>USD '000</b>  | <b>USD '000</b>  |
|  | <b>Stage 1</b>          | <b>Stage 2</b>  | <b>Stage 3</b>   | <b>Total</b>     |
| <b>Balance at the beginning of the year</b>  | <b>94 539</b>           | <b>319 979</b>  | <b>1 218 644</b> | <b>1 633 162</b> |
| Transferred to Stage 1   | 4 759                   | ( 4 487)        | ( 272)           | -                |
| Transferred to Stage 2   | ( 5 802)                | 6 750           | ( 948)           | -                |
| Transferred to Stage 3   | ( 2 033)                | ( 38 049)       | 40 082           | -                |
| Net ECL Charges for the year   | 26 824                  | 152 915         | 323 398          | 503 137          |
| Used from provision (written off or transferred to off consolidated statement of financial position) | -                       | ( 571)          | ( 155 758)       | ( 156 329)       |
| Adjustments during the period and translation adjustments  | 2 364                   | 3 610           | ( 21 203)        | ( 15 229)        |
| <b>Balance at the end of the year</b>  | <b>120 651</b>          | <b>440 147</b>  | <b>1 403 943</b> | <b>1 964 741</b> |

- There are no provisions no longer required as a result of settlement or repayment, transferred to other non-performing direct credit facilities as of 30 June, 2021 and 31 December, 2020.

- Impairment is assessed based on individual customer accounts.

- Non-performing loans transferred to off interim condensed consolidated statement of financial position amounted to USD 9.9 million as of 30 June, 2021 ( USD 175.3 million as of 31 December, 2020) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

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

|   | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> |                |                |                                  |                              |                |
|---|--|----------------|----------------|----------------------------------|------------------------------|----------------|
|   | Consumer Banking                                     | Corporates     |                | Banks and Financial Institutions | Government and Public Sector | Total          |
|   | USD '000   | Small & Medium | Large          | USD '000                         | USD '000                     | USD '000       |
| <b>Balance at the beginning of the period</b>   | <b>92 524</b>  | <b>115 426</b> | <b>411 265</b> | <b>53</b>                        | <b>-</b>                     | <b>619 268</b> |
| Acquisition of Oman Arab Bank - Note (4)  | 5 281  | 10 028         | 15 758         | -                                | -                            | 31 067         |
| <b>Adjusted Balance at the beginning of the period</b>  | <b>97 805</b>  | <b>125 454</b> | <b>427 023</b> | <b>53</b>                        | <b>-</b>                     | <b>650 335</b> |
| Interest and commissions suspended during the period  | 11 661   | 13 535         | 74 241         | 196                              | -                            | 99 633         |
| Interest and commissions in suspense settled / written off or transferred to off condensed consolidated interim statement of financial position | ( 3 583)   | ( 3 359)       | ( 12 010)      | -                                | -                            | ( 18 952)      |
| Recoveries  | ( 3 012)   | ( 1 206)       | ( 1 912)       | ( 2)                             | -                            | ( 6 132)       |
| Adjustments during the period   | 3  | ( 1 099)       | 1 098          | -                                | -                            | 2              |
| Translation adjustments   | ( 720)   | 895            | ( 8 476)       | ( 1)                             | -                            | ( 8 302)       |
| <b>Balance at the End of the Period</b>   | <b>102 154</b>                                       | <b>134 220</b> | <b>479 964</b> | <b>246</b>                       | <b>-</b>                     | <b>716 584</b> |

|   | <b>31 December 2020</b><br><b>(Audited)</b> |                |                |                                  |                              |                |
|---|---|----------------|----------------|----------------------------------|------------------------------|----------------|
|   | Consumer Banking                            | Corporates     |                | Banks and Financial Institutions | Government and Public Sector | Total          |
|   | USD '000                                    | Small & Medium | Large          | USD '000                         | USD '000                     | USD '000       |
| <b>Balance at the beginning of the year</b>   | <b>71 191</b>                               | <b>110 022</b> | <b>359 718</b> | <b>59</b>                        | <b>-</b>                     | <b>540 990</b> |
| Interest and commissions suspended during the year  | 20 019                                      | 20 317         | 100 421        | -                                | -                            | 140 757        |
| Interest and commissions in suspense settled / written off or transferred to off consolidated statement of financial position | ( 4 259)                                    | ( 4 148)       | ( 26 905)      | -                                | -                            | ( 35 312)      |
| Recoveries  | ( 3 855)                                    | ( 1 857)       | ( 15 733)      | -                                | -                            | ( 21 445)      |
| Adjustment during the year  | 8 941                                       | ( 9 140)       | 199            | -                                | -                            | -              |
| Translation adjustments   | 487   | 232            | ( 6 435)       | ( 6)                             | -                            | ( 5 722)       |
| <b>Balance at the End of the Year</b>   | <b>92 524</b>                               | <b>115 426</b> | <b>411 265</b> | <b>53</b>                        | <b>-</b>                     | <b>619 268</b> |

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

| Economic Sector                                       | 30 June 2021<br>(Reviewed not Audited) |                   | 31 December 2020<br>(Audited) |                   |
|---|--|-------------------|-------------------------------|-------------------|
|   | Inside Jordan                          | Outside Jordan    | USD '000                      | USD '000          |
| Consumer Banking                                      | 3 107 480                              | 5 575 749         | 8 683 229                     | 5 862 769         |
| Industry and mining                                   | 1 429 507                              | 3 969 132         | 5 398 639                     | 4 573 963         |
| Constructions   | 475 192                                | 1 698 392         | 2 173 584                     | 1 864 976         |
| Real - Estates  | 327 937                                | 1 115 323         | 1 443 260                     | 1 630 077         |
| Trade   | 1 324 468                              | 2 612 447         | 3 936 915                     | 3 906 963         |
| Agriculture   | 149 820                                | 221 483           | 371 303                       | 335 015           |
| Tourism and Hotels                                    | 252 275                                | 961 360           | 1 213 635                     | 633 796           |
| Transportations                                       | 106 273                                | 448 856           | 555 129                       | 353 413           |
| Shares  | -                                      | 8 989             | 8 989                         | 11 985            |
| General Services                                      | 861 694                                | 3 509 699         | 4 371 393                     | 3 188 083         |
| Banks and Financial Institutions                      | 28 290                                 | 209 856           | 238 146                       | 190 775           |
| Government and Public Sector                          | 173 460                                | 2 190 262         | 2 363 722                     | 1 356 043         |
| <b>Net Direct Credit Facilities at Amortized Cost</b> | <b>8 236 396</b>                       | <b>22 521 548</b> | <b>30 757 944</b>             | <b>23 907 858</b> |

## 11 - OTHER FINANCIAL ASSETS AT AMOTIZED COST

The details of this item are as follows:

|   | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|---|---|----------------------------------|
|   | USD '000                                  | USD '000                         |
| Treasury bills  | 2 635 994                                 | 1 965 105                        |
| Governmental bonds and bonds guaranteed by the government | 6 345 627                                 | 5 583 556                        |
| Corporate bonds   | 1 358 585                                 | 1 254 161                        |
| Less: Net ECL Charges                                     | ( 35 576)                                 | ( 40 033)                        |
| <b>Total</b>  | <b>10 304 630</b>                         | <b>8 762 789</b>                 |

Analysis of bonds based on interest nature:

|                        | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|------------------------|---|----------------------------------|
|                        | USD '000                                  | USD '000                         |
| Floating interest rate | 504 168                                   | 491 348                          |
| Fixed interest rate    | 9 836 038                                 | 8 311 474                        |
| Less: Net ECL Charges  | ( 35 576)                                 | ( 40 033)                        |
| <b>Total</b>           | <b>10 304 630</b>                         | <b>8 762 789</b>                 |

Analysis of financial assets based on market quotation:

|   | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|---|---|----------------------------------|
|   | USD '000                                  | USD '000                         |
| <b>Financial assets quoted in the market:</b>             |   |                                  |
| Treasury bills  | 689 700                                   | 216 465                          |
| Governmental bonds and bonds guaranteed by the government | 2 041 140                                 | 1 131 354                        |
| Corporate bonds   | 1 252 052                                 | 1 149 860                        |
| <b>Total</b>  | <b>3 982 892</b>                          | <b>2 497 679</b>                 |

|   | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December<br>2020<br>(Audited) |
|---|---|----------------------------------|
|   | USD '000                                  | USD '000                         |
| <b>Financial assets unquoted in the market:</b>           |   |                                  |
| Treasury bills  | 1 946 294                                 | 1 748 640                        |
| Governmental bonds and bonds guaranteed by the government | 4 304 487                                 | 4 452 202                        |
| Corporate bonds   | 106 533                                   | 104 301                          |
| <b>Total</b>  | <b>6 357 314</b>                          | <b>6 305 143</b>                 |
| Less: Net ECL Charges                                     | ( 35 576)                                 | ( 40 033)                        |
| <b>Grand Total</b>  | <b>10 304 630</b>                         | <b>8 762 789</b>                 |

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

|   | 30 June 2021<br>(Reviewed not Audited) |               |          | 31 December 2020<br>(Audited) |               |
|---|--|---------------|----------|-------------------------------|---------------|
|   | USD '000                               | USD '000      | USD '000 | USD '000                      | USD '000      |
|   | Stage 1                                | Stage 2       | Stage 3  | Total                         | Total         |
| <b>Balance at the beginning of the period \ year</b>          | <b>19 200</b>                          | <b>20 833</b> | -        | <b>40 033</b>                 | <b>40 717</b> |
| Acquisition of Oman Arab Bank - Note (4)                      | 174                                    | -             | -        | 174                           | -             |
| <b>Adjusted Balance at the beginning of the period \ year</b> | <b>19 374</b>                          | <b>20 833</b> | -        | <b>40 207</b>                 | <b>40 717</b> |
| Transfer to Stage (1)   | -                                      | -             | -        | -                             | -             |
| Transfer to Stage (2)   | -                                      | -             | -        | -                             | -             |
| Transfer to Stage (3)   | -                                      | -             | -        | -                             | -             |
| Net ECL Charges for the period \ year                         | ( 4 820)                               | ( 548)        | -        | ( 5 368)                      | 800           |
| Investments written off                                       | -                                      | -             | -        | -                             | ( 4 374)      |
| Adjustments during the period and translation adjustments     | 852                                    | ( 115)        | -        | 737                           | 2 890         |
| <b>Balance at the end of the period \ year</b>                | <b>15 406</b>                          | <b>20 170</b> | -        | <b>35 576</b>                 | <b>40 033</b> |

During the six-months period ended 30 June, 2021 certain financial assets at amortized cost with a total amount of USD 30.4 million were sold ( USD 81.1 million during the year ended 31 December, 2020).

## **12 - FIXED ASSETS**

The additions to and disposals of fixed assets during the six-months period ended 30 June, 2021 amounted to USD 71.6 million and USD 9.6 million respectively (USD 19.5 million and USD 2 million for the six-months period ended 30 June, 2020).

The cost of fully depreciated fixed assets amounted to USD 346.7 million as of 30 June, 2021 (USD 335.2 million as of 31 December, 2020).

## **13 - OTHER ASSETS**

**The details of this item are as follows:**

|                             | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December</b><br><b>2020</b><br><b>(Audited)</b> |
|-----------------------------|--|---|
|                             | <b>USD '000</b>  | <b>USD '000</b>                                       |
| Accrued interest receivable | 330 725  | 192 113   |
| Prepaid expenses            | 80 237   | 71 568  |
| Foreclosed assets *         | 152 069  | 152 401   |
| Intangible assets           | 27 201   | 34 272  |
| Right-of-use Assets         | 79 815   | 86 315  |
| Other miscellaneous assets  | 326 706  | 226 468   |
| <b>Total</b>                | <b>996 753</b>   | <b>763 137</b>  |

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

## **14 - CUSTOMERS' DEPOSITS**

The details of this item are as follows:

|                         | <b>30 June 2021</b>           |                  |                  |                              |                   |
|-------------------------|-------------------------------|------------------|------------------|------------------------------|-------------------|
|                         | <b>(Reviewed not Audited)</b> |                  |                  |                              |                   |
|                         | Consumer Banking              | Corporates       |                  | Government and Public Sector | Total             |
|                         |                               | Small & Medium   | Large            |                              |                   |
|                         | <b>USD '000</b>               | <b>USD '000</b>  | <b>USD '000</b>  | <b>USD '000</b>              | <b>USD '000</b>   |
| Current and demand      | 10 968 644                    | 2 607 879        | 3 541 443        | 1 254 643                    | 18 372 609        |
| Savings                 | 5 301 239                     | 111 585          | 23 042           | 82 838                       | 5 518 704         |
| Time and notice         | 9 929 865                     | 1 408 691        | 3 987 186        | 3 488 721                    | 18 814 463        |
| Certificates of deposit | 543 448                       | 18 427           | 108 501          | 36 113                       | 706 489           |
| <b>Total</b>            | <b>26 743 196</b>             | <b>4 146 582</b> | <b>7 660 172</b> | <b>4 862 315</b>             | <b>43 412 265</b> |

|                         | <b>31 December 2020</b> |                  |                  |                              |                   |
|-------------------------|-------------------------|------------------|------------------|------------------------------|-------------------|
|                         | <b>(Audited)</b>        |                  |                  |                              |                   |
|                         | Consumer Banking        | Corporates       |                  | Government and Public Sector | Total             |
|                         |                         | Small & Medium   | Large            |                              |                   |
|                         | <b>USD '000</b>         | <b>USD '000</b>  | <b>USD '000</b>  | <b>USD '000</b>              | <b>USD '000</b>   |
| Current and demand      | 9 878 466               | 2 482 453        | 2 583 737        | 221 441                      | 15 166 097        |
| Savings                 | 3 574 548               | 113 032          | 15 119           | 63 868                       | 3 766 567         |
| Time and notice         | 9 202 810               | 1 382 303        | 3 482 528        | 2 524 787                    | 16 592 428        |
| Certificates of deposit | 507 979                 | 69 222           | 94 423           | 38 422                       | 710 046           |
| <b>Total</b>            | <b>23 163 803</b>       | <b>4 047 010</b> | <b>6 175 807</b> | <b>2 848 518</b>             | <b>36 235 138</b> |

- Total Government of Jordan and Jordanian public sector deposits amounted to USD 895.2 millions, or 2.1% of total customer's deposits as of 30 June, 2021 (USD 1057.7 million, or 2.9% of total customer's deposits as of 31 December, 2020).
- Non-interest bearing deposits amounted to USD 15450.2 million, or 35.6% of total customer's deposits as of 30 June, 2021 (USD 13732.4 million, or 37.9% of total customer's deposits as of 31 December, 2020).
- Blocked deposits amounted to USD 143.7 million, or 0.3% of total customer's deposits as of 30 June, 2021 (USD 159.8 million, or 0.4% of total customer's deposits as of 31 December, 2020).
- Dormant deposits amounted to USD 462 million, or 1.1% of total customer's deposits as of 30 June, 2021 (USD 492.1 million, or 1.4% of total customer's deposits as of 31 December, 2020).

## **15 - BORROWED FUNDS**

The details of this item are as follows:

|                                       | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December 2020</b><br><b>(Audited)</b> |
|---------------------------------------|--|---|
|                                       | <b>USD '000</b>  | <b>USD '000</b>                             |
| From Central Banks                    | 162 537  | 167 340                                     |
| From banks and financial institutions | 475 506  | 442 451                                     |
| <b>Total</b>                          | <b>638 043</b>   | <b>609 791</b>                              |

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

|                        | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December 2020</b><br><b>(Audited)</b> |
|------------------------|--|---|
|                        | <b>USD '000</b>  | <b>USD '000</b>                             |
| Floating interest rate | 349 585  | 364 386                                     |
| Fixed interest rate    | 288 458  | 245 405                                     |
| <b>Total</b>           | <b>638 043</b>   | <b>609 791</b>                              |

## **16 - PROVISION FOR INCOME TAX**

The details of this item are as follows:

|   | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December 2020</b><br><b>(Audited)</b> |
|---|--|---|
|   | <b>USD '000</b>  | <b>USD '000</b>                             |
| <b>Balance at the beginning of the period \ year</b>          | <b>275 406</b>   | <b>345 054</b>                              |
| Acquisition of Oman Arab Bank - Note (4)                      | 11 706   | -   |
| <b>Adjusted Balance at the beginning of the period \ year</b> | <b>287 112</b>   | <b>345 054</b>                              |
| Income tax expense  | 124 540  | 215 066                                     |
| Income tax paid   | ( 213 398)   | ( 284 714)                                  |
| <b>Balance at the End of the period \ year</b>                | <b>198 254</b>   | <b>275 406</b>                              |

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

|                                   | <b>For The Six-Months Period Ended 30</b><br><b>June,</b> |                 |
|-----------------------------------|---|-----------------|
|                                   | <b>2021</b>   | <b>2020</b>     |
|                                   | <b>USD '000</b>   | <b>USD '000</b> |
| Income tax expense for the period | 124 540   | 122 825         |
| Effect of deferred tax            | ( 22 160)   | ( 33 829)       |
| <b>Total</b>                      | <b>102 380</b>  | <b>88 996</b>   |

- The income tax rate for the banking sector in Jordan is 38% (35% income tax + 3% national contribution tax) , while the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of 30 June, 2021 and 31 December, 2020. The effective tax rate for the Group is 35.9% as of 30 June, 2021 and 36.9% as of 30 June, 2020.
- The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2019 ( such as Arab Bank United Arab Emirates and Sudan ) and 2018 ( such as Arab Bank Egypt and Arab Investment Group Jordan).



## 17 - OTHER LIABILITIES

The details of this item are as follows:

|   | 30 June 2021<br>(Reviewed not<br>Audited) | 31 December 2020<br>(Audited) |
|---|---|-------------------------------|
|   | USD '000                                  | USD '000                      |
| Accrued interest payable  | 202 218                                   | 139 822                       |
| Notes payable   | 192 173                                   | 203 883                       |
| Interest and commission received in advance                       | 67 068                                    | 61 133                        |
| Accrued expenses  | 97 150                                    | 90 349                        |
| Dividends payable to shareholders                                 | 25 113                                    | 19 405                        |
| Provision for impairment - ECL of the indirect credit facilities* | 168 873                                   | 91 950                        |
| Lease contracts liability   | 78 614                                    | 84 245                        |
| Other miscellaneous liabilities                                   | 457 084                                   | 349 622                       |
| <b>Total</b>  | <b>1 288 293</b>                          | <b>1 040 409</b>              |

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

|   | 30 June 2021<br>(Reviewed not Audited) |               |               |                | 31 December<br>2020<br>(Audited) |
|---|--|---------------|---------------|----------------|----------------------------------|
|   | USD '000                               | USD '000      | USD '000      | USD '000       | USD '000                         |
|   | Stage 1                                | Stage 2       | Stage 3       | Total          | Total                            |
| <b>Balance at the beginning of the period \ year</b>      | <b>36 363</b>                          | <b>27 457</b> | <b>28 130</b> | <b>91 950</b>  | <b>59 213</b>                    |
| Acquisition of Oman Arab Bank - Note (4)                  | 428                                    | 558           | 441           | 1 427          | -                                |
| <b>Balance at the beginning of the period \ year</b>      | <b>36 791</b>                          | <b>28 015</b> | <b>28 571</b> | <b>93 377</b>  | <b>59 213</b>                    |
| Transferred to Stage 1                                    | 160                                    | ( 93)         | ( 67)         | -              | -                                |
| Transferred to Stage 2                                    | ( 534)                                 | 535           | ( 1)          | -              | -                                |
| Transferred to Stage 3                                    | -                                      | -             | -             | -              | -                                |
| Net ECL Charges for the period \ year                     | ( 4 335)                               | 14 867        | 64 745        | 75 277         | 19 351                           |
| Adjustments during the period and translation Adjustments | 932                                    | ( 337)        | ( 376)        | 219            | 13 386                           |
| <b>Balance at the End of the Period \ Year</b>            | <b>33 014</b>                          | <b>42 987</b> | <b>92 872</b> | <b>168 873</b> | <b>91 950</b>                    |

## 18 - SHARE CAPITAL AND RESERVES

A. Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of 30 June, 2021 and 31 December, 2020.

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

## 19. PERPETUAL TIER 1 CAPITAL BONDS

A. On 29 December 2016, Oman Arab Bank issued unsecured perpetual Tier 1 bonds of USD 77.9 million. The bonds are listed on the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulation.

B. Additionally, on 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of USD 110.5 million. The bonds carry a fixed coupon rate of 7.5 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

C. Additionally, on 4 June 2021, the Bank issued another series of unsecured perpetual Tier 1 bonds of USD 250 million. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

D. The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The Bond under note (a) has First Call Date on 29 January 2022 and bond under note (b) has First Call date on 17 October 2023 or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

## **20 - RETAINED EARNINGS**

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

|   | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>31 December</b><br><b>2020</b><br><b>(Audited)</b> |
|---|--|---|
|   | <b>USD '000</b>  | <b>USD '000</b>                                       |
| <b>Balance at the beginning of the period \ year</b>                    | <b>2 775 635</b>   | <b>2 584 537</b>                                      |
| Profit for the period/year attributable to the shareholders of the bank | 166 874  | 192 791   |
| Transferred from investment revaluation reserve to retained earnings    | ( 1 877)   | ( 2 575)  |
| Dividends paid  | ( 111 944)   | -   |
| Transferred from / to general banking risk reserve                      | -  | 14 678  |
| Changes in associates equity  | -  | ( 5 504)  |
| Adjustment during the period/ year                                      | 1 953  | ( 8 292)  |
| <b>Balance at the End of the period \ year</b>                          | <b>2 830 641</b>   | <b>2 775 635</b>                                      |

\* The General Assembly of Arab Bank plc in its meeting held on 25 March, 2021 approved the recommendation of the Bank's Board of Directors to distribute a 12% of USD 1.4 par value as cash dividend, equivalent to USD 108.4 million, for the year 2020. (According to Central Bank of Jordan Memo no. 1/1/4693 dated 9 April 2020, Arab Bank did not distribute dividends for the year 2019).

## **21 - INTEREST INCOME**

The details of this item are as follows:

|   | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>30 June 2020</b><br><b>(Reviewed not</b><br><b>Audited)</b> |
|---|--|--|
|   | <b>USD '000</b>  | <b>USD '000</b>  |
| Direct credit facilities at amortized cost                  | 834 882  | 761 754  |
| Balances with central banks                                 | 26 670   | 26 064   |
| Balances and deposits with banks and financial institutions | 7 910  | 28 558   |
| Financial assets at fair value through profit or loss       | 8 686  | 9 337  |
| Other financial assets at amortized cost                    | 266 444  | 257 335  |
| <b>Total</b>  | <b>1 144 592</b>   | <b>1 083 048</b>   |

## **22 - INTEREST EXPENSE**

The details of this item are as follows:

|   | <b>30 June 2021</b><br><b>(Reviewed not</b><br><b>Audited)</b> | <b>30 June 2020</b><br><b>(Reviewed not</b><br><b>Audited)</b> |
|---|--|--|
|   | <b>USD '000</b>  | <b>USD '000</b>  |
| Customers' deposits                       | 412 496  | 373 660  |
| Banks and financial institutions deposits | 22 140   | 40 622   |
| Cash margins                              | 14 208   | 25 001   |
| Borrowed funds                            | 7 710  | 6 694  |
| Deposit insurance fees                    | 13 627   | 13 650   |
| <b>Total</b>                              | <b>470 181</b>   | <b>459 627</b>   |

**23 - NET COMMISSION INCOME**

The details of this item are as follows:

|  | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> | <b>30 June 2020</b><br><b>(Reviewed not Audited)</b> |
|--|--|--|
|  | <b>USD '000</b>                                      | <b>USD '000</b>                                      |
| Commission income:                         |  |  |
| Direct credit facilities at amortized cost | 59 539   | 38 684   |
| Indirect credit facilities                 | 61 238   | 55 662   |
| Assets under management                    | 13 282   | 10 877   |
| Other                                      | 66 697   | 52 983   |
| Less: commission expense                   | ( 33 533)  | ( 23 935)  |
| <b>Net Commission Income</b>               | <b>167 223</b>                                       | <b>134 271</b>                                       |

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

The details of this item are as follows:

|                          | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> |                  |                 |                 | <b>30 June 2020</b><br><b>(Reviewed not Audited)</b> |
|--------------------------|--|------------------|-----------------|-----------------|--|
|                          | Realized Gains                                       | Unrealized Gains | Dividends       | Total           | Total  |
|                          | <b>USD '000</b>                                      | <b>USD '000</b>  | <b>USD '000</b> | <b>USD '000</b> | <b>USD '000</b>                                      |
| Treasury bills and bonds | 531  | 1 299            | -               | 1 830           | 2 852  |
| Corporate shares         | -  | 66               | -               | 66              | ( 16)  |
| Mutual funds             | -  | 1 040            | -               | 1 040           | ( 620)   |
| <b>Total</b>             | <b>531</b>   | <b>2 405</b>     | <b>-</b>        | <b>2 936</b>    | <b>2 216</b>   |

**25 - OTHER REVENUE**

The details of this item are as follows:

|                                | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> | <b>30 June 2020</b><br><b>(Reviewed not Audited)</b> |
|--------------------------------|--|--|
|                                | <b>USD '000</b>                                      | <b>USD '000</b>                                      |
| Revenue from customer services | 7 168  | 7 035  |
| Safe box and other rentals     | 1 842  | 1 828  |
| Gain (Loss) from derivatives   | 103  | ( 787)   |
| Miscellaneous revenue          | 35 984   | 14 517   |
| <b>Total</b>                   | <b>45 097</b>  | <b>22 593</b>  |

**(26) BUSINESS SEGMENTS**

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

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

**(A) CORPORATE AND INSTITUTIONAL BANKING**

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

**(B) TREASURY**

Treasury department at Arab Bank Group manages market and liquidity risks and provides advice and trading services to Arab Bank clients internationally.

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

The Treasury Department at the Arab Bank Group has several responsibilities, the main responsibilities are:

- Liquidity management according to the highest standards of efficiency and within the established limits, while ensuring that liquidity is sufficiently available to business sectors at all times.
- Managing market risks within the established limits.
- Generate revenue by managing both liquidity and market risk.
- Limiting the use of financial derivatives.
- Executing operations related to buying and selling bonds and derivatives and exchanging foreign currencies with market experts. The treasury also carries out lending and borrowing operations for the money market with banks and other financial institutions.
- Selling foreign currencies, derivatives and other financial products to clients.
- Providing advice related to liquidity management and market risks to the relevant departments of the Group.

**(C) CONSUMER BANKING**

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

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

|  | 30 June 2021<br>(Reviewed not Audited) |                |                  |                |                | 30 June 2020<br>(Reviewed not Audited) |                |
|--|--|----------------|------------------|----------------|----------------|--|----------------|
|  | Corporate and Institutional Banking    | Treasury       | Consumer Banking |                | Other          | Total                                  |                |
|  |  |                | Elite            | Retail Banking |                | Total                                  |                |
|  | USD '000                               | USD '000       | USD '000         | USD '000       | USD '000       | USD '000                               |                |
| Total income                                   | 477 612                                | 335 900        | ( 42 952)        | 162 528        | 153 132        | 1 086 220                              | 990 003        |
| Net inter-segment interest income              | ( 58 728)                              | ( 153 950)     | 131 913          | 80 765         | -              | -                                      | -              |
| Less :Provision for impairment - ECL           | 264 515                                | ( 706)         | 1 146            | 10 072         | -              | 275 027                                | 308 316        |
| Less :Other provisions                         | 2 326                                  | 1 126          | 1 197            | 3 549          | -              | 8 198                                  | 12 466         |
| Less :Direct administrative expenses           | 74 716                                 | 11 287         | 14 886           | 106 130        | 5 786          | 212 805                                | 177 235        |
| <b>Result of Operations of Segments</b>        | <b>77 327</b>                          | <b>170 243</b> | <b>71 732</b>    | <b>123 542</b> | <b>147 346</b> | <b>590 190</b>                         | <b>491 986</b> |
| Less :Indirect expenses on segments            | 119 286                                | 34 129         | 28 812           | 102 191        | 20 987         | 305 405                                | 250 887        |
| <b>Profit for the Period before Income Tax</b> | <b>( 41 959)</b>                       | <b>136 114</b> | <b>42 920</b>    | <b>21 351</b>  | <b>126 359</b> | <b>284 785</b>                         | <b>241 099</b> |
| Less :Income tax expense                       | ( 15 084)                              | 48 933         | 15 430           | 7 675          | 45 426         | 102 380                                | 88 996         |
| <b>Profit for the Period</b>                   | <b>( 26 875)</b>                       | <b>87 181</b>  | <b>27 490</b>    | <b>13 676</b>  | <b>80 933</b>  | <b>182 405</b>                         | <b>152 103</b> |
| Depreciation and Amortization                  | 13 771                                 | 2 941          | 3 291            | 19 308         | -              | 39 311                                 | 29 368         |

|   | 30 June 2021<br>(Reviewed not Audited) |                   |                   |                   |                   | 31 December 2020<br>(Audited) |                   |
|---|--|-------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
|   | Corporate and Institutional Banking    | Treasury          | Consumer Banking  |                   | Other             | Total                         |                   |
|   |  |                   | Elite             | Retail Banking    |                   | Total                         |                   |
|   | USD '000                               | USD '000          | USD '000          | USD '000          | USD '000          | USD '000                      |                   |
| Segment assets                                    | 21 733 429                             | 23 583 409        | 3 968 499         | 7 885 194         | 2 505 133         | 59 675 664                    | 50 609 471        |
| Inter-segment assets                              | -                                      | -                 | 12 863 893        | 3 806 433         | 6 624 009         | -                             | -                 |
| Investments in associates                         | -                                      | -                 | -                 | -                 | 3 350 794         | 3 350 794                     | 3 804 212         |
| <b>Total Assets</b>                               | <b>21 733 429</b>                      | <b>23 583 409</b> | <b>16 832 392</b> | <b>11 691 627</b> | <b>12 479 936</b> | <b>63 026 458</b>             | <b>54 413 683</b> |
| Segment liabilities                               | 18 032 124                             | 3 990 379         | 16 832 392        | 11 691 627        | 2 168 843         | 52 715 365                    | 45 024 920        |
| Shareholders' Equity                              | -                                      | -                 | -                 | -                 | 10 311 093        | 10 311 093                    | 9 388 763         |
| Inter-segment liabilities                         | 3 701 305                              | 19 593 030        | -                 | -                 | -                 | -                             | -                 |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>21 733 429</b>                      | <b>23 583 409</b> | <b>16 832 392</b> | <b>11 691 627</b> | <b>12 479 936</b> | <b>63 026 458</b>             | <b>54 413 683</b> |

## 27 - MATURITY OF THE CONTINGENT ACCOUNTS

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

| <b>30 June 2021</b>             |                      |  |                              |                   |
|---------------------------------|----------------------|--|------------------------------|-------------------|
| <b>(Reviewed not Audited)</b>   |                      |  |                              |                   |
|                                 | <b>Within 1 Year</b> | <b>From 1 Year<br/>and up to 5<br/>Years</b> | <b>More than 5<br/>Years</b> | <b>Total</b>      |
|                                 | <b>USD '000</b>      | <b>USD '000</b>                              | <b>USD '000</b>              | <b>USD '000</b>   |
| Letters of credit               | 2 195 360            | 99 802                                       | -                            | 2 295 162         |
| Acceptances                     | 728 339              | 18 838                                       | -                            | 747 177           |
| Letters of guarantees:          |                      |  |                              |                   |
| - Payment guarantees            | 1 005 772            | 153 321                                      | 61 572                       | 1 220 665         |
| - Performance guarantees        | 3 583 090            | 1 334 686                                    | 182 043                      | 5 099 819         |
| - Other guarantees              | 2 487 891            | 417 680                                      | 45 568                       | 2 951 139         |
| Unutilized credit facilities    | 5 114 226            | 202 245                                      | 29 469                       | 5 345 940         |
| <b>Total</b>                    | <b>15 114 678</b>    | <b>2 226 572</b>                             | <b>318 652</b>               | <b>17 659 902</b> |
| Construction projects contracts | 2 525                | -  | -                            | 2 525             |
| Procurement contracts           | 4 659                | 1 613  | 2 529                        | 8 801             |
| <b>Total</b>                    | <b>7 184</b>         | <b>1 613</b>                                 | <b>2 529</b>                 | <b>11 326</b>     |
| <b>31 December 2020</b>         |                      |  |                              |                   |
| <b>(Audited)</b>                |                      |  |                              |                   |
|                                 | <b>Within 1 Year</b> | <b>From 1 Year<br/>and up to 5<br/>Years</b> | <b>More than 5<br/>Years</b> | <b>Total</b>      |
|                                 | <b>USD '000</b>      | <b>USD '000</b>                              | <b>USD '000</b>              | <b>USD '000</b>   |
| Letters of credit               | 1 618 727            | 92 907                                       | -                            | 1 711 634         |
| Acceptances                     | 584 809              | 5 743  | -                            | 590 552           |
| Letters of guarantees:          |                      |  |                              |                   |
| - Payment guarantees            | 1 190 935            | 121 408                                      | 74 204                       | 1 386 547         |
| - Performance guarantees        | 3 319 003            | 1 228 769                                    | 183 237                      | 4 731 009         |
| - Other guarantees              | 2 615 665            | 316 772                                      | 34 233                       | 2 966 670         |
| Unutilized credit facilities    | 3 901 956            | 314 266                                      | 33 487                       | 4 249 709         |
| <b>Total</b>                    | <b>13 231 095</b>    | <b>2 079 865</b>                             | <b>325 161</b>               | <b>15 636 121</b> |
| Construction projects contracts | 3 502                | -  | -                            | 3 502             |
| Procurement contracts           | 10 537               | 3 033  | 2 528                        | 16 098            |
| <b>Total</b>                    | <b>14 039</b>        | <b>3 033</b>                                 | <b>2 528</b>                 | <b>19 600</b>     |

**28 - CREDIT EXPOSURE FOR ASSETS CATEGORIZED BY GEOGRAPHICAL REGION:**

The details for this items are as follows:

30 June 2021  
(Reviewed not Audited)

|  | <b>Jordan</b>     | <b>Other Arab Countries</b> | <b>Asia *</b>   | <b>Europe</b>    | <b>America</b>  | <b>Rest of the World</b> | <b>Total</b>      |
|--|-------------------|-----------------------------|-----------------|------------------|-----------------|--------------------------|-------------------|
|  | <b>USD '000</b>   | <b>USD '000</b>             | <b>USD '000</b> | <b>USD '000</b>  | <b>USD '000</b> | <b>USD '000</b>          | <b>USD '000</b>   |
| Balances with central banks                                  | 3 914 716         | 5 110 122                   | 3 214           | 1 968 499        | -               | 11 165                   | 11 007 716        |
| Balances and deposits with banks and financial institutions  | 222 697           | 1 028 447                   | 208 983         | 2 015 325        | 480 660         | 50 480                   | 4 006 592         |
| Financial assets at fair value through profit or loss        | -                 | 101 690                     | 10 148          | 74 620           | -               | 6 310                    | 192 768           |
| Financial assets at fair value through OCI                   | -                 | 190 249                     | -               | 46 569           | -               | -                        | 236 818           |
| <b>Direct credit facilities at amortized cost</b>            | <b>8 236 396</b>  | <b>19 934 079</b>           | <b>280 073</b>  | <b>1 424 368</b> | <b>18 878</b>   | <b>864 150</b>           | <b>30 757 944</b> |
| Consumer Banking   | 3 107 480         | 5 078 846                   | 6               | 132 201          | 15              | 364 681                  | 8 683 229         |
| Small and Medium Corporates                                  | 880 744           | 1 803 153                   | 68 323          | 512 461          | 15 346          | 233 859                  | 3 513 886         |
| Large Corporates   | 4 046 422         | 10 757 624                  | 202 737         | 683 051          | 3 517           | 265 610                  | 15 958 961        |
| Banks and Financial Institutions                             | 28 290            | 190 987                     | 9 007           | 9 862            | -               | -                        | 238 146           |
| Government and Public Sector                                 | 173 460           | 2 103 469                   | -               | 86 793           | -               | -                        | 2 363 722         |
| Other financial assets at amortized cost                     | 4 293 900         | 5 089 437                   | 71 054          | 448 167          | 138 339         | 263 733                  | 10 304 630        |
| Other assets and financial derivatives - positive fair value | 89 430            | 349 188                     | 2 499           | 72 994           | 731             | 2 660                    | 517 502           |
| <b>Total</b>   | <b>16 757 139</b> | <b>31 803 212</b>           | <b>575 971</b>  | <b>6 050 542</b> | <b>638 608</b>  | <b>1 198 498</b>         | <b>57 023 970</b> |
| <b>Total as of 31 December, 2020 (Audited)</b>               | <b>16 418 323</b> | <b>22 638 240</b>           | <b>881 341</b>  | <b>6 373 923</b> | <b>845 506</b>  | <b>1 175 839</b>         | <b>48 333 172</b> |

\* Excluding Arab Countries.

**29 - CREDIT EXPOSURE FOR ASSETS CATEGORIZED BY ECONOMIC SECTOR**

The details for this items are as follows:

30 June 2021  
(Reviewed not Audited)

| Consumer<br>Banking   | Corporations           |                  |                  |                  |                  |                       |                  |                |                     | Banks and<br>Financial<br>Institutions | Government<br>and Public<br>Sector | Total             |                   |
|---|------------------------|------------------|------------------|------------------|------------------|-----------------------|------------------|----------------|---------------------|--|------------------------------------|-------------------|-------------------|
|   | Industry and<br>Mining | Constructions    | Real Estate      | Trade            | Agriculture      | Tourism and<br>Hotels | Transportation   | Shares         | General<br>Services |  |                                    |                   |                   |
| USD '000  | USD '000               | USD '000         | USD '000         | USD '000         | USD '000         | USD '000              | USD '000         | USD '000       | USD '000            | USD '000                               | USD '000                           | USD '000          |                   |
| Balances with central banks                                 | -                      | -                | -                | -                | -                | -                     | -                | -              | -                   | -                                      | -                                  | 11 007 716        | 11 007 716        |
| Balances and deposits with banks and financial institutions | -                      | -                | -                | -                | -                | -                     | -                | -              | -                   | -                                      | 4 006 592                          | -                 | 4 006 592         |
| Financial assets at fair value through profit or loss       | -                      | -                | -                | -                | -                | -                     | -                | -              | -                   | -                                      | 84 630                             | 108 138           | 192 768           |
| Financial assets at fair value through OCI                  | -                      | -                | -                | -                | -                | -                     | -                | -              | -                   | 28 413                                 | 8 548                              | 199 857           | 236 818           |
| Direct credit facilities at amortized cost                  | 8 683 229              | 5 398 639        | 2 173 584        | 1 443 260        | 3 936 915        | 371 303               | 1 213 635        | 555 129        | 8 989               | 4 371 393                              | 238 146                            | 2 363 722         | 30 757 944        |
| Other financial assets at amortized cost                    | -                      | 97 403           | -                | 13 969           | -                | -                     | -                | -              | -                   | 287 923                                | 923 714                            | 8 981 621         | 10 304 630        |
| Other assets & financial derivatives - positive fair value  | 25 261                 | 42 273           | 8 627            | 8 445            | 25 027           | 1 616                 | 3 183            | 4 818          | -                   | 184 108                                | 105 765                            | 108 379           | 517 502           |
| <b>Total</b>  | <b>8 708 490</b>       | <b>5 538 315</b> | <b>2 182 211</b> | <b>1 465 674</b> | <b>3 961 942</b> | <b>372 919</b>        | <b>1 216 818</b> | <b>559 947</b> | <b>8 989</b>        | <b>4 871 837</b>                       | <b>5 367 395</b>                   | <b>22 769 433</b> | <b>57 023 970</b> |
| <b>Total as of 31 December, 2020 (Audited)</b>              | <b>5 883 353</b>       | <b>4 700 198</b> | <b>1 872 257</b> | <b>1 643 625</b> | <b>3 926 238</b> | <b>336 602</b>        | <b>636 983</b>   | <b>358 558</b> | <b>11 985</b>       | <b>3 510 756</b>                       | <b>6 259 677</b>                   | <b>19 192 940</b> | <b>48 333 172</b> |



### **30 - CAPITAL MANAGEMENT AND LIQUIDITY**

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

|  | <b>30 June 2021<br/>(Reviewed not<br/>Audited)</b> | <b>31 December 2020<br/>(Audited)</b> |
|--|--|---------------------------------------|
|  | <b>USD '000</b>                                    | <b>USD '000</b>                       |
| Common Equity Tier 1   | 9 398 001  | 9 006 760                             |
| Regulatory Adjustments ( Deductions from Common Equity Tier 1) | (2 846 804)  | (3 356 130)                           |
| Additional Tier 1  | 274 524  | 439                                   |
| Supplementary Capital  | 472 632  | 416 260                               |
| <b>Regulatory Capital</b>                                      | <b>7 298 353</b>                                   | <b>6 067 329</b>                      |
| <b>Risk-weighted assets (RWA)</b>                              | <b>43 587 753</b>                                  | <b>36 180 487</b>                     |
| <b>Common Equity Tier 1 Ratio</b>                              | <b>%15.03</b>                                      | <b>%15.62</b>                         |
| <b>Tier 1 Capital Ratio</b>                                    | <b>%15.66</b>                                      | <b>%15.62</b>                         |
| <b>Capital Adequacy Ratio</b>                                  | <b>%16.74</b>                                      | <b>%16.77</b>                         |

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

- The liquidity coverage ratio is 234% as of 30 June 2021 and 254% as of 31 December 2020 ( According to Central Bank of Jordan Memo no. 5/2020 the minimum liquidity coverage ratio is 100% ).

### 31 - Fair Value Hierarchy

#### Financial Instruments are either financial assets or financial liabilities

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

| Financial Assets /Financial Liabilities  | Fair Value as at                       |                               | Fair Value Hierarchy | Valuation techniques and key inputs                 | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|--|--|-------------------------------|----------------------|---|---------------------------------|---|
|  | 30 June 2021<br>(Reviewed not Audited) | 31 December 2020<br>(Audited) |                      |   |                                 |   |
|  | USD '000                               | USD '000                      |                      |   |                                 |   |
| <b>Financial Assets at Fair Value</b>  |  |                               |                      |   |                                 |   |
| Financial assets at fair value through profit or loss:                         |  |                               |                      |   |                                 |   |
| Treasury bills and bonds   | 108 138                                | 79 694                        | Level 1              | Quoted Shares                                       | Not Applicable                  | Not Applicable                                    |
| Corporate bonds  | 84 630                                 | 204 136                       | Level 1              | Quoted Shares                                       | Not Applicable                  | Not Applicable                                    |
| Shares and mutual funds  | 24 142                                 | 20 224                        | Level 1              | Quoted Shares                                       | Not Applicable                  | Not Applicable                                    |
| <b>Total Financial Assets at Fair Value through Profit or Loss</b>             | <b>216 910</b>                         | <b>304 054</b>                |                      |   |                                 |   |
| Financial derivatives - positive fair value                                    | 106 540                                | 91 510                        | Level 2              | Through Comparison of similar financial instruments | Not Applicable                  | Not Applicable                                    |
| Financial assets at fair value through other comprehensive income:             |  |                               |                      |   |                                 |   |
| Quoted shares  | 147 588                                | 122 363                       | Level 1              | Quoted Shares                                       | Not Applicable                  | Not Applicable                                    |
| Unquoted shares  | 241 990                                | 287 352                       | Level 2              | Through using the index sector in the market        | Not Applicable                  | Not Applicable                                    |
| Governmental and Corporate bonds through OCI                                   | 236 818                                | -                             | Level 2              | Through using the index sector in the market        | Not Applicable                  | Not Applicable                                    |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b>626 396</b>                         | <b>409 715</b>                |                      |   |                                 |   |
| <b>Total Financial Assets at Fair Value</b>                                    | <b>949 846</b>                         | <b>805 279</b>                |                      |   |                                 |   |
| <b>Financial Liabilities at Fair Value</b>                                     |  |                               |                      |   |                                 |   |
| Financial derivatives - negative fair value                                    | 75 673                                 | 170 956                       | Level 2              | Through Comparison of similar financial instruments | Not Applicable                  | Not Applicable                                    |
| <b>Total Financial Liabilities at Fair Value</b>                               | <b>75 673</b>                          | <b>170 956</b>                |                      |   |                                 |   |

There were no transfers between Level 1 and 2 during the three months period ended 30 June, 2021 and the year 2020.

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

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

|   | 30 June 2021<br>(Reviewed not Audited) |                   | 31 December 2020<br>(Audited) |                   | Fair Value Hierarchy |
|---|--|-------------------|-------------------------------|-------------------|----------------------|
|   | Book value                             | Fair value        | Book value                    | Fair value        |                      |
|   | USD '000                               | USD '000          | USD '000                      | USD '000          |                      |
| <b>Financial assets not calculated at fair value</b>  |  |                   |                               |                   |                      |
| Mandatory cash reserve, Time and notice balances and Certificates of deposit with central banks | 6 067 470                              | 6 068 842         | 5 519 559                     | 5 520 337         | Level 2              |
| Balances and deposits with banks and financial institutions                                     | 4 006 592                              | 4 008 388         | 4 889 330                     | 4 890 794         | Level 2              |
| Direct credit facilities at amortized cost  | 30 757 944                             | 30 973 242        | 23 907 858                    | 23 985 577        | Level 2              |
| Other financial assets at amortized cost  | 10 304 630                             | 10 403 545        | 8 762 789                     | 8 859 096         | Level 1 & 2          |
| <b>Total financial assets not calculated at fair value</b>                                      | <b>51 136 636</b>                      | <b>51 454 017</b> | <b>43 079 536</b>             | <b>43 255 804</b> |                      |
| <b>Financial liabilities not calculated at fair value</b>                                       |  |                   |                               |                   |                      |
| Banks' and financial institutions' deposits   | 4 255 353                              | 4 257 425         | 3 974 226                     | 3 984 107         | Level 2              |
| Customer deposits   | 43 412 265                             | 43 581 710        | 36 235 138                    | 36 328 603        | Level 2              |
| Cash margin   | 2 613 314                              | 2 619 466         | 2 483 253                     | 2 491 389         | Level 2              |
| Borrowed funds  | 638 043                                | 643 835           | 609 791                       | 615 966           | Level 2              |
| <b>Total financial liabilities not calculated at fair value</b>                                 | <b>50 918 975</b>                      | <b>51 102 436</b> | <b>43 302 408</b>             | <b>43 420 065</b> |                      |

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

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

The details of this item are as follows:

|   | <b>For The Six-Months Period<br/>Ended 30 June,</b> |                 | <b>For The Three-Months Period<br/>Ended 30 June,</b> |                 |
|---|---|-----------------|---|-----------------|
|   | <b>2021</b>   | <b>2020</b>     | <b>2021</b>   | <b>2020</b>     |
|   | <b>USD '000</b>                                     | <b>USD '000</b> | <b>USD '000</b>                                       | <b>USD '000</b> |
| Profit for the period attributable to the Bank's shareholders | 166 874   | 149 102         | 43 892  | 4 148           |
|   | <b>Thousand / Shares</b>                            |                 | <b>Thousand / Shares</b>                              |                 |
| Average number of shares                                      | 640 800   | 640 800         | 640 800   | 640 800         |
|   | <b>USD / Share</b>                                  |                 | <b>USD / Share</b>                                    |                 |
| Earnings Per Share for the period (Basic and diluted)         | 0.26  | 0.23            | 0.07  | 0.01            |

### **33 - CASH AND CASH EQUIVALENTS**

The details of this item are as follows:

|   | <b>For The Six-Months Period<br/>Ended 30 June,<br/>(Reviewed not Audited)</b> |                  |
|---|--|------------------|
|   | <b>2021</b>  | <b>2020</b>      |
|   | <b>USD '000</b>  | <b>USD '000</b>  |
| Cash and balances with central banks maturing within 3 months                       | 11 965 205   | 8 399 600        |
| <u>Add:</u> Balances with banks and financial institutions maturing within 3 months | 3 821 790  | 3 613 067        |
| <u>Less:</u> Banks and financial institutions deposits maturing within 3 months     | 3 348 522  | 2 975 589        |
| <b>Total</b>  | <b>12 438 473</b>  | <b>9 037 078</b> |

### 34 - RELATED PARTIES TRANSACTIONS

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

|  | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> |  |  |  |
|--|--|--|--|--|
|  | Deposits owed<br>from Related<br>Parties             | Direct Credit<br>Facilities at<br>Amortized Cost | Deposits owed<br>to Related<br>Parties | LCs, LGs,<br>Unutilized<br>Credit Facilities<br>and<br>Acceptances |
|  | <b>USD '000</b>                                      | <b>USD '000</b>                                  | <b>USD '000</b>                        | <b>USD '000</b>  |
| Associated Companies                                     | 81 024   | -  | 63 347                                 | 42 435   |
| Major Shareholders and Members of the Board of Directors | -  | 296 694  | 483 823                                | 81 584   |
| <b>Total</b>   | <b>81 024</b>  | <b>296 694</b>                                   | <b>547 170</b>                         | <b>124 019</b>   |

  

|  | <b>31 December 2020</b><br><b>(Audited)</b> |  |  |  |
|--|---|--|--|--|
|  | Deposits owed<br>from Related<br>Parties    | Direct Credit<br>Facilities at<br>Amortized Cost | Deposits owed<br>to Related<br>Parties | LCs, LGs,<br>Unutilized<br>Credit Facilities<br>and<br>Acceptances |
|  | <b>USD '000</b>                             | <b>USD '000</b>                                  | <b>USD '000</b>                        | <b>USD '000</b>  |
| Associated Companies                                     | 197 484                                     | -  | 20 940                                 | 71 161   |
| Major Shareholders and Members of the Board of Directors | -   | 279 057  | 671 215                                | 89 512   |
| <b>Total</b>   | <b>197 484</b>                              | <b>279 057</b>                                   | <b>692 155</b>                         | <b>160 673</b>   |

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

The details of transactions with related parties are as follows:

|                      | <b>30 June 2021</b><br><b>(Reviewed not Audited)</b> |                     |
|----------------------|--|---------------------|
|                      | Interest<br>Income                                   | Interest<br>Expense |
|                      | <b>USD '000</b>                                      | <b>USD '000</b>     |
| Associated Companies | 222  | 10                  |

  

|                      | <b>30 June 2020</b><br><b>(Reviewed not Audited)</b> |                     |
|----------------------|--|---------------------|
|                      | Interest<br>Income                                   | Interest<br>Expense |
|                      | <b>USD '000</b>                                      | <b>USD '000</b>     |
| Associated Companies | 1 445  | 878                 |

- Direct credit facilities granted to top management personnel amounted to USD 1.4 million and indirect credit facilities amounted to USD 214.3 thousand as of 30 June, 2021 (USD 1.8 million direct credit facilities and USD 217.1 thousand indirect credit facilities as of 31 December, 2020).

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

- Deposits of key management personnel amounted to USD 3.7 million as of 30 June, 2021 (USD 5.4 million as of 31 December, 2020).

- The salaries and other fringe benefits of the Group's top management personnel, inside and outside Jordan, amounted to USD 33 million for the six-months period ended 30 June, 2021 (USD 37.4 million for the six-months period ended 30 June, 2020).

**ARAB BANK GROUP**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021 (REVIEWED BUT NOT AUDITED)**

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**(35) LEGAL CASES**

There are lawsuits filed against the Group totaling USD 310.7 million as of 30 June 2021, (USD 289.1 million as of 31 December 2020). In the opinion of the management and the lawyers representing the Group in the litigations at issue, the provisions taken in connection with the lawsuits are adequate.

**(36) COMPARATIVE FIGURES**

Some of the comparative figures for the year 2020 have been reclassified to correspond with the period ended 30 June 2021 presentation, and it did not result in any change to the last year's operating results.